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IN THE

Supreme Court of the United States

OCTOBER TERM, 1947

No. 576

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, and JASCO, INCORPORATED,

Petitioners,

against

TOM C. CLARK, Attorney General, as Successor to the Alien Property Custodian, Substituted for JAMES E. MARKHAM, as Alien Property Custodian,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT AND BRIEF IN SUPPORT THEREOF.

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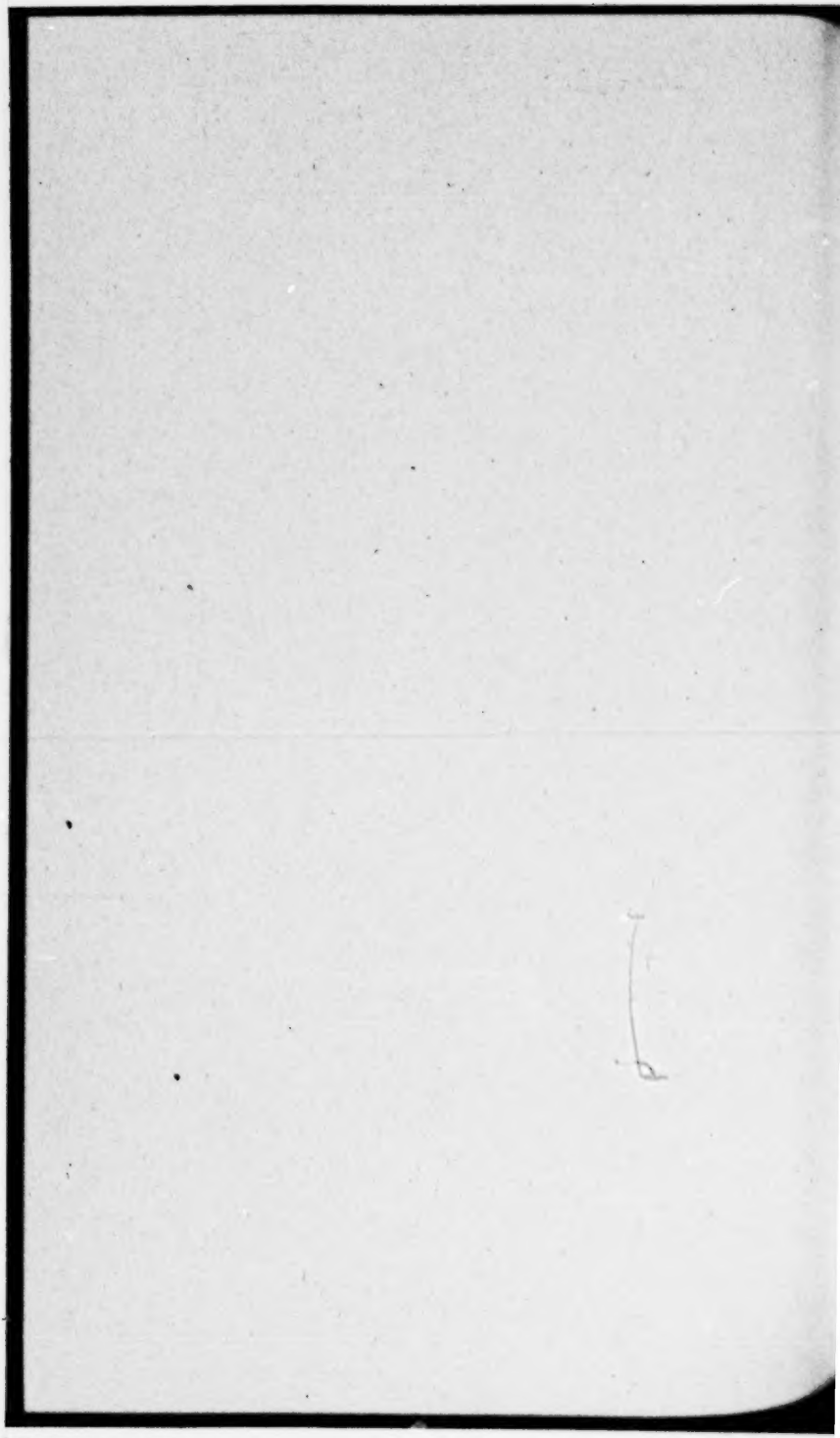

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October Term, 1947

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STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, and JASCO, INCORPORATED,

Petitioners,

against

TOM C. CLARK, Attorney General, as Successor to the Alien Property Custodian, Substituted for JAMES E. MARKHAM, as Alien Property Custodian,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

Standard Oil Company (New Jersey), Standard Oil Development Company, Standard Catalytic Company, and Jasco, Incorporated, plaintiffs in the above-entitled action, respectfully pray the issuance of a writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit to review the judgments and decisions of that Court rendered September 22, 1947 and November 7, 1947 (IV 1695 *et seq.*),[1] which modified in part and otherwise affirmed a

[1] References are to the volume and page number of the printed record.

judgment entered by the United States District Court for the Southern District of New York July 6, 1946, directing the return in part to petitioners of property vested by the Alien Property Custodian (I 215).

Summary Statement of Matter Involved

Proceedings in Courts below

The suit was brought July 13, 1944 (I 1) under the Trading with the Enemy Act (50 U. S. C. A. App., §9(a)) to recover property vested by the Alien Property Custodian (III 793, 796, 802). Petitioners are Standard Oil Company (New Jersey), which is a holding company, and three subsidiaries, the four being herein called respectively Standard, Development, S. I. G., and Jasco. All are United States citizens within the meaning of the Act, and none is an enemy or ally of an enemy or a national of a foreign country (I 73). The property in suit, vested as the property of I. G. Farbenindustrie A. G. (called I. G.), consists of shares of stock of American corporations and United States patents in the oil and chemical fields.

After trial, the District Court ordered the return of the property in part. On appeal by both parties, the Circuit Court of Appeals modified the decree in defendant's favor and otherwise affirmed. Petitions for rehearing were filed by both parties; the Circuit Court of Appeals granted defendant's in part, and otherwise denied the petitions.

Facts Pertinent to this Petition

Basic Jersey-I. G. Agreements. In November 1929 Standard and certain of its subsidiaries (herein collectively called Jersey), to acquire rights in I. G.'s existing and future inventions in the hydrocarbon (*i. e.*, oil) field, entered into a so-called Four-Party Agreement with I. G. (III 834). Jersey and I. G. organized a Delaware corporation, Standard-I. G. Company (called S. I. G., whose present title is

Standard Catalytic Company), which issued 800 shares of its stock to Standard for $80,000, and 200 shares to I. G. for $20,000. As a patent holding and licensing company, S. I. G. was to exploit outside of Germany two types of patents covering the above inventions by I. G.: the Class A S. I. G. patents, relating principally to the hydrocarbon field; and the Class B S. I. G. patents, useful in that field but also useful in other fields. With respect to I. G.'s inventions made theretofore and during a period of at least 18 years thereafter, I. G. agreed to assign the Class A patents to S. I. G. and to grant to S. I. G. an exclusive license and licensing right under the Class B patents, reserving to itself exclusive rights outside the hydrocarbon field under both classes of patents (III 838-9). As consideration, Jersey paid to I. G. over $35,000,000 and agreed to pay approximately one-fifth of the royalties received from licensing (I 77).

Under the Four-Party Agreement, I. G. before World War II had already made individual assignments to S. I. G. of many but not all of the Class A patents (I 86-7).

In September 1930, I. G. and Development made the so-called Jasco Agreement (III 871). A Louisiana corporation, Jasco, Incorporated, was organized; half its stock was issued to I. G. and half to Development. The Jasco field covered new chemical processes using petroleum or natural gas as starting material. The agreement bound either party, when it developed a new process within the Jasco field, to offer Jasco exclusive rights thereto.

Pursuant to the Jasco Agreement the parties had before World War II brought into Jasco a process known as the Oppanol process, invented by I. G. (III 890), and three other I. G. processes were then under development by Jasco (I 100-1).

Readjustments in 1939. On the outbreak of the European war, Jersey took steps to marshal its property rights conferred by the agreements with I. G. and to put itself in a position to protect those rights independently of I. G.

Thus, in the S. I. G. field, Jersey, in September 1939, purchased from I. G. for $20,000 the latter's 200 shares of S. I. G. stock (I 113-5). Later in the same month F. A. Howard, President of Development and a director of S. I. G. and Jasco, met at The Hague with representatives of I. G. (I 117). Those representatives first delivered to Howard assignments of the Class A and Class B patents (I 123); Howard by letter confirmed that—as provided in the basic agreements—exclusive rights outside the hydrocarbon field were reserved to I. G. (III 1055; II 509; S. M. 1380, not printed).

And, in the Jasco field, I. G.'s representatives gave Howard assignments of patents on all but one of I. G.'s processes (I 123); and Howard by letter confirmed that—as agreed in 1930—I. G. reserved exclusive rights outside the Jasco field (III 1057; II 509; S. M. 1380, not printed).

Next, the so-called Hague Memorandum was negotiated, providing for the readjustment of the Jasco Agreement (III 945). By providing for the transfer to Development of I. G.'s five shares of Jasco stock and the assignment to I. G. of all rights in the Jasco processes for all countries outside of the United States and the British and French empires, it replaced the joint world-wide ownership of the processes by a territorial division of the patent assets.

The Consent Decree. After an extended investigation by the Attorney General of the Jersey-I. G. relations, and by pre-arrangement with the Attorney General and Jersey, the Custodian, on March 25, 1942 vested all of I. G.'s right, title and interest in the various contracts with Jersey and in the shares and patents in controversy (III 793). Later that day, pleadings were filed and a consent decree entered in a suit under the Sherman Act by the United States against the present petitioners and others of the Jersey group in the United States District Court for the District of New Jersey (III 1000). The Custodian became a party to the action and consented to the decree entered therein (III 1024-5).

The pertinent provisions of the consent decree are these:

1. It formally defined Jasco as a wholly owned subsidiary of Development (III 1002).

2. Upon a finding that the Four-Party Agreement, the Jasco Agreement, the Hague Memorandum, and certain related agreements were unlawful under the Sherman Act, the decree enjoined the present petitioners from further performance of any of their provisions (III 1010-1).

3. It required the present petitioners to transfer to S. I. G. and Jasco respectively, all their right, title, and interest in all United States patents which were subject to the I. G. agreements, and also certain other patents originated by Jersey and not vested by the Custodian, and thereupon to issue licenses, unrestricted as to use or field, to all applicants, royalty-free for the duration of the war emergency and subject thereafter to a reasonable royalty under the supervision of the Attorney General and the ultimate control of the District Court of New Jersey (III 1011-17).

4. It provided that nothing therein should affect or diminish any right, interest or remedy of the petitioners in or under any then existing patents, patent applications, patent assignments, licenses or shares of corporate stock (III 1022).

5. The final section of the decree recites (a) the Custodian's appearance as a party and his consent to be bound, (b) the Custodian's agreement to execute such further transfers to S. I. G. and Jasco as might be necessary for the purposes of the decree and particularly for the purposes of the compulsory licensing provisions, and (c) the reservation of such rights of the Custodian as might remain unaffected by the decree (III 1024-5).

The Present Suit. In a so-called Supplemental Vesting Order issued May 24, 1944 (III 796), the Custodian asserted that by his original vesting of I. G.'s right, title and interest he had vested the full legal and equitable title in the

five shares of Jasco stock originally owned by I. G., the I. G.-originated Jasco patents, the Class A and Class B S. I. G. patents which originated with I. G., and the 200 shares of S. I. G. stock originally owned by I. G. The present suit resulted. The gist of the decisions below, as far as pertinent here, follows:

1. The District Court denied the claim for the return of the five shares of Jasco stock, having found by a series of inferences that the transfer thereof by I. G. to Jersey in 1939 was not a genuine transaction (I 132, 135). The Circuit Court of Appeals affirmed (IV 1709-11, 1719-20). As hereinafter urged, this holding is in direct contradiction of the provision in the consent decree which defined Jasco as a corporation all of the capital stock of which was owned by Development (III 1002).

2. The District Court having awarded the Custodian half the Jasco shares, a question thereupon arose whether this gave him a beneficial interest in the Jersey-originated patents which, on the agreed premise that Jasco was a wholly-owned subsidiary of Development, had been assigned to Jasco after the vesting as required by the consent decree in order to effectuate its compulsory licensing feature. Petitioners pointed out that under Section VII of the consent decree Jersey's beneficial interest was to remain unaffected by the transfer. Petitioners therefore asked the District Court to so mold its decree as to grant relief by directing Jasco to reassign the patents (II 721). The District Court held that it did not have jurisdiction to grant such relief (I 225-6).

On appeal petitioners urged that the District Court should at least have expressly confirmed Jersey's right to the avails of these patents. The Circuit Court, ignoring the latter question, held that the District Court did have jurisdiction to direct retransfer of the patents to Jersey, but denied relief on the theory of unclean hands, *viz.*, that petitioners in negotiating the consent decree had misrepresented the ownership of the Jasco stock and schemed

thereby "to deceive their government" (IV 1721-3). As hereinafter shown, the finding of unclean hands on which the holding is based constitutes a determination upon a most serious charge, never tendered or tried, on which the trial judge made no findings.

3. The District Court ordered the Custodian to return to S. I. G. the Class A S. I. G. patents (I 216). The Circuit Court of Appeals modified, holding (a) that the Custodian should return only the exclusive licensing rights thereunder and not the patents themselves or exclusive licenses, and (b) that as to licenses granted by S. I. G. for operations in the hydrocarbon field, S. I. G. should pay over to the Custodian that portion of the royalty receipts it would have been obliged to pay to I. G. under the Four-Party Agreement (IV 1718). As shown hereinafter, the decision leaving in the Custodian title to the patents and all rights of enforcement thereof against infringers is a direct denial of the rights acquired by petitioners in 1929 under the Four-Party Agreement (III 838). The direction to account to the Custodian is in direct conflict with the provisions of the consent decree adjudging the Four-Party Agreement illegal and enjoining the petitioners from further performance of any of its provisions (III 1010-1). Indeed, the Custodian was made a party to the consent decree for the very purpose of foreclosing any such liability (IV 1718).

4. The District Court ordered the Custodian to return to S. I. G. exclusive licenses and licensing rights in the hydrocarbon field under the Class B S. I. G. patents (I 217). The Circuit Court of Appeals modified in the same fashion as in the case of the Class A S. I. G. patents (IV 1718) —allowing recovery of only exclusive licensing rights and requiring accounting to the Custodian as in the case of the Class A patents.

5. The District Court found that the transfer of the 200 shares of S. I. G. stock from I. G. to Jersey was *bona fide* and ordered their return (I 215). The Circuit Court of Appeals affirmed (IV 1708-9).

Basis of Jurisdiction

The jurisdiction of this Court is invoked under § 240(a) of the Judicial Code as amended by the Act of February 13, 1925, 28 U. S. C. A. § 347.

The opinion and judgment of the Circuit Court of Appeals herein were filed on September 22, 1947. The decision and order on the petitions for rehearing were rendered November 7, 1947.

Questions Presented

1. Where the effect of operative provisions of a consent decree negotiated by the United States and private parties and entered by one Federal court depends upon an agreed definition incorporated in the decree, may that definition be nullified in an action in a Federal court in another circuit to the detriment of such private parties and to the benefit of the United States notwithstanding the contractual nature of such consent decree and its status as a final judgment?

2. Where the Alien Property Custodian and an American corporation are parties to and bound by a consent decree entered by a Federal court in an antitrust suit, which decree adjudged that certain contracts between the American corporation and a German corporation were unlawful and enjoined further performance thereof, preserving to the American corporation all property rights already acquired thereunder, may a Federal court in a different circuit, upon directing the return of such property by the Custodian to the American corporation, at the same time require further performance of one of those contracts by the American corporation?

3. Where a consent decree entered by a Federal court in an antitrust suit, in ordering a transfer of title to certain property by one corporation to another corporation defined in said decree as being a wholly owned subsidiary, provides that such transfer shall not affect beneficial interests, may

a Federal court in a different circuit, in a subsequent suit involving the same subject-matter and no new or different parties, adjudge that half of the stock of the latter corporation is owned by a third party, without at the same time providing that the third party has no beneficial interest in that property by reason of such stock ownership?

4. May a Circuit Court of Appeals, upon determining that jurisdiction exists as to a question pretermitted by the District Court for lack of jurisdiction, adjudicate that question upon the basis of a wholly new finding of fraudulent misrepresentation, where such misrepresentation was not pleaded, tendered or litigated in the trial court, and with respect to which no evidence was offered, no findings were made, and no day in court was afforded to the parties charged with misrepresentation?

5. In administering the Trading with the Enemy Act, is a Federal court bound to direct the return of property found not enemy-owned, or may it deny a return in order to serve a punitive function?

6. Where on the findings and conclusions of the District Court, not disturbed by the Circuit Court of Appeals, a claimant under the Trading with the Enemy Act was determined to have full title to and exclusive licenses under United States patents before their vesting by the Alien Property Custodian, may the Circuit Court of Appeals in affirming recovery by the claimant direct return to claimant of a lesser property interest?

Reasons Relied Upon for Allowance of the Writ

1. The decision below raises an important Federal question because, in the following respects, it conflicts with and contravenes the prior decree of a Federal court in another circuit, despite the fact that the decision involves the same subject-matter and no new or different parties:

(a) The decision below overrides and supplants a material provision of the prior decree, with the con-

sequence that operative provisions of said decree, based thereon, are given a substantially different significance and effect from that intended by the court in the prior action.

(b) The decision below requires the petitioners to pay to the Alien Property Custodian certain royalties which the prior decree enjoined them from paying.

2. The decision below presents an important Federal question by departing from the established doctrine of this Court that a consent decree in an antitrust action is as final and binding within its scope as a decree entered after full trial. *Swift & Co.* v. *U. S.*, 276 U. S. 311; *Harding* v. *Harding*, 198 U. S., 317; *U. S.* v. *International Harvester Co.*, 274 U. S. 693, 703.

3. By denying effect to a consent decree entered in an antitrust proceeding brought by the Department of Justice, in a subsequent suit under the Trading with the Enemy Act between parties to the consent decree and involving the same subject-matter, the decision below presents important questions of Federal law which have not been but should be settled by this Court. The survival of these questions will throw in doubt the finality of existing consent decrees and discourage future negotiation of such decrees. In view of the wide acceptance which this method of terminating controversies has heretofore enjoyed, the importance of this matter need hardly be underlined.

4. In making a wholly new finding on a matter not pleaded, litigated or determined in the trial court, the Circuit Court of Appeals has so far departed from the accepted and usual course of judicial proceedings laid down in the decisions of this Court and of other Circuit Courts of Appeal as to call for the exercise of this Court's supervision. *Oklahoma Natural Gas Co.* v. *Russell*, 261 U. S. 290; *Lutcher & Moore Lumber Co.* v. *Knight*, 217 U. S. 257, and other cases cited on pp. 30-31 of the attached brief.

5. The decision below raises the important question whether, in administering the Trading with the Enemy Act, the Federal courts are bound to determine property rights with reference to ownership as found, or whether they may deny relief in order to serve a punitive function. In connection with Sherman Act violations, this question has been resolved in favor of the contention of petitioners here; cf. *Hartford-Empire Co.* v. *United States,* 323 U. S. 386; *United States* v. *National Lead Co.,* 332 U. S. 319.

6. The Circuit Court of Appeals in deciding that the assignment of patents and the grant of exclusive licenses by the patentee to the petitioners entitled the petitioners to only licensing rights under the said patents, has decided an important Federal question in conflict with the applicable decisions of this Court. *Littlefield* v. *Perry,* 88 U. S. 205, 219, 222, 21 Wall. 205; *Waterman* v. *Mackenzie,* 138 U. S. 252, 261; *Nicholson Pavement Company* v. *Jenkins,* 81 U. S. 452, 14 Wall. 452; *Rude* v. *Westcott,* 130 U. S. 152, 162; *Tilghman* v. *Proctor,* 125 U. S. 136, 143.

7. The Circuit Court of Appeals in ordering the Custodian, without any explanation or justification for its conclusions, to return to the claimant less than the property rights to which the claimant was entitled before the vesting, has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

Prayer

For the foregoing reasons, which are developed in more detail in the accompanying brief, your petitioners pray that a writ of certiorari issue out of this Court to the United States Circuit Court of Appeals for the Second Circuit commanding said court to certify and send to this Court on a date to be designated, a full and complete transcript of the record and of all proceedings had by the Circuit Court of Appeals in this case, to the end that this case may be

reviewed and determined by this Court; that the judgments and decisions of the Circuit Court of Appeals be reversed in so far as they deny petitioners' claims; and that your petitioners be granted such other and further relief as may be proper.

February 6, 1948

STANDARD OIL COMPANY (NEW JERSEY),
STANDARD OIL DEVELOPMENT COMPANY,
STANDARD CATALYTIC COMPANY and
JASCO, INCORPORATED

By
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IN THE

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Respondent.

BRIEF IN SUPPORT OF PETITION

Opinions Below

The opinion of the District Court (I 36-69) is reported in 64 F. Supp. 656. The opinion of the Second Circuit Court of Appeals (IV 1695) is reported in 163 F. (2d) 917; the opinion of that court on the petitions for rehearing (IV 1746) has not yet been reported.

Jurisdiction of this Court

This is set forth at p. 8 in the preceding petition under the heading "Basis of Jurisdiction".

Statement of the Case

This is stated in the petition at pp. 2-7 under the heading "Summary Statement of Matter Involved".

Statute Involved

The statute involved is § 9(a) of the Trading with the Enemy Act (50 U. S. C. App. § 9(a)), which in relevant part provides:

> "§ 9(a): Any person not an enemy or ally of enemy claiming any interest, right, or title in any money or other property which may have been conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian or seized by him hereunder and held by him or by the Treasurer of the United States, . . . may file with the said custodian a notice of his claim under oath and in such form and containing such particulars as the said custodian shall require; . . . if the claimant shall have filed the notice as above required and shall have made no application to the President, said claimant may institute a suit in equity in the Supreme Court of the District of Columbia or in the district court of the United States for the district in which such claimant resides, or, if a corporation, where it has its principal place of business (to which suit the Alien Property Custodian or the Treasurer of the United States, as the case may be, shall be made a party defendant), to establish the interest, right, title or debt so claimed, and if so established the court *shall order* the payment, conveyance, transfer, assignment, or delivery to said claimant of the money or other property so held by the Alien Property Custodian or by the Treasurer of the United States or the interest therein to which the court shall determine said claimant is entitled." (italics ours).

Specification of Errors to be Urged

The Second Circuit Court of Appeals erred in

1. Overriding the prior declaration of the District Court of New Jersey that the Jasco shares are owned by Development.

2. Overriding the injunction of the District Court of New Jersey against payment of royalties under the Four-Party Agreement.

3. Denying relief to petitioners against the Custodian's claim of interest in the Jersey-originated patents transferred to Jasco.

4. Making a finding of fraudulent misrepresentation in the absence of any pleading, evidence thereon or finding thereof in the trial court.

5. Denying recovery of petitioners' titles to and exclusive licenses under the S. I. G. patents.

ARGUMENT

Point I. The Decisions Below Are in Direct Conflict With and Override Material Provisions of a Final Judgment Entered by a Federal Court in a Different Circuit.

The decisions below present a highly important Federal question because, in substantial respects, they conflict with and override the prior final judgment of a Federal court in another circuit, namely, the consent decree entered by the District Court of New Jersey, which judgment involved all of the parties hereto and the same subject matter.

We here deal with two important instances of this conflict. (a) The New Jersey court declared that Development owned all of the stock of Jasco; but the courts below hold that I. G. (and the Custodian as successor) owned half of the Jasco stock. (b) The New Jersey court enjoined the further performance of any of the provisions of certain Jersey-I.G. contracts; but the Circuit Court below directs the petitioners to perform, in favor of the Custodian, certain of the very obligations whose performance was so enjoined by the New Jersey court.

Before examining this conflict in more detail, the Custodian's position as successor to I.G. should be clarified by reference to the setting of the consent decree.

The Setting of the Consent Decree

For an extended period preceding March 25, 1942, the date of entry of the consent decree, the Attorney General had conducted an investigation of the relations between the Jersey group and I. G. with reference to the antitrust laws of the United States. In discussions between the Attorney General and the Jersey group, terms for a prospective consent decree had been canvassed at length (IV 1717). With one qualification, the basic provisions had been agreed upon in the form thereafter incorporated in the decree, namely, Sections I to XI (III 1001-1024).

The one qualification was that the Jersey group was unwilling to accept a consent decree which would leave it vulnerable to post-war attack by I. G., which of course could not be made a party by reason of the war (IV 1718). Inasmuch as the provisions so agreed upon would cut off all of I. G.'s rights in the existing contracts and United States patents, the Jersey group was willing to accept those sections only if the Custodian supplanted I. G. by a vesting order, joined in the proposed antitrust action, and consented to the provisions of the decree.

Thereupon were taken the following steps, obviously prearranged as parts of a single interrelated and interdependent program of "closing". On March 25, 1942, in the short space of time from 2:15 p. m. to 4:30 p. m., (a) the Custodian served his original vesting order, (b) the antitrust suit was instituted, (c) the defendants filed a comprehensive answer, (d) the Custodian entered his formal appearance in the suit, (e) the recital of his appearance and consent was appended as Section XII of the decree, and (f) the decree was thereupon signed and entered (see III, 793 and p. 483 of Ex. P-98—physical exhibit filed with the Clerk of this Court).

The defendants' answer specifically prayed that the Court adjudicate the claims of the Custodian relating to the matters therein involved and that the Court direct the Custodian to sign and consent to the judgment (pp. 404-5 of P-98, filed herewith).

From this setting of the consent decree, as well as from its very structure, it is obvious that Section XII was not intended to and did not alter the essential meaning and significance of the basic sections (I-XI) beyond taking note of the fact that the Custodian, by virtue of the vesting, supplanted I. G. as the party whose rights were affected. The Jersey-I. G. agreements were terminated and their further performance enjoined just as fully as though the Custodian had not supplanted I. G., and such rights as were preserved in the Jersey group were as fully preserved as though the Custodian were not in the picture. Similarly, Section XII cannot be read as entitling the Custodian to any rights of which I. G. was deprived by Sections I to XI.

Conflict Between the Decisions Herein of the Second Circuit and the Consent Decree in the Third Circuit Respecting Ownership of Jasco Stock.

The consent decree defined Jasco as a corporation "all of the capital stock of which is now owned by Development" (Development having been defined as "a wholly-owned subsidiary of Standard"—III 1002). The courts below, while acknowledging in principle the conclusiveness of the consent decree, have nevertheless explicitly repudiated this particular declaration of the decree by finding that half of the Jasco stock (five shares) was owned not by Development but by I. G., and by holding that the Custodian accordingly became entitled thereto.

The Second Circuit Court of Appeals called the foregoing definition of Jasco "only . . . part of an identifying label" (IV 1710); but the judicatory nature of the declaration is obvious, we submit, from the entire structure of the decree. At the very outset, the "order" part of the decree provides as follows (III 1001-2):

> "ORDERED, ADJUDGED AND DECREED as follows:
>
> I
>
> That . . . the petition states a cause of action against each of the defendants under (the Sherman Act) . . ."

II. DEFINITIONS.

When used in this decree the following terms have the meanings assigned respectively to them below: . . .

'Jasco' means Jasco Incorporated, a corporation organized and existing under the laws of the State of Louisiana and having its principal office and place of business at Baton Rouge, Louisiana, all of the capital stock of which is now owned by Development, which controls the corporation."

The primary purpose of the consent decree, from an antitrust standpoint, was to sever the relations between Jersey and I. G. (Custodian). It was therefore of importance to establish that Jasco was wholly on the Jersey side of the intended line of severance. Thus, the definitions embraced Standard as the parent corporation, Jersey as the group name for the system composed of Standard and its subsidiaries, Delaware (Standard Oil Company of New Jersey) and Development and S. I. G. as wholly owned subsidiaries of Standard, and Jasco as a wholly owned subsidiary of Development (III 1001-2). These were the affiliated members of the system whose contractual relations with I. G. were to be abruptly severed.

Thus, the mere reading of these preliminary provisions in their appropriate context is sufficient to show that the "definitions", with the incorporated declarations of stock ownership, were designed to carry into the operative provisions, were to have there the meanings so assigned to them, and accordingly were to have full judicatory effect.

Reference to the operative provisions of the decree, in turn, only confirms the judicatory function of the definitions, including the definition of Jasco. Section III declares various agreements with I. G. to be unlawful and enjoins the there defendants (including Jasco) from further performance. Section IV directs the defendants (including Jasco) to discontinue existing relations with I. G., to transfer certain patents and patent rights to S. I. G. (the wholly owned subsidiary of Standard) and to Jasco (the

wholly owned subsidiary of Development which in turn was the wholly owned subsidiary of Standard), and to issue licenses under the S. I. G. and Jasco patents at reasonable royalty rates (except for the duration of the war emergency, during which the licenses were to be royalty free). Section V enjoins the there defendants (including Jasco) from accounting to I. G. in respect of receipts from the subject matter of any of the agreements declared illegal (III 1010-19).

If it were not for the previously defined status of Jasco as a subsidiary wholly within the Jersey system, and if on the contrary the Jasco stock were owned half by Jersey and half by I. G. (Custodian), the consent decree would have failed in its primary purpose of severing Jersey-I. G. relations.

It is, of course, the established law that a consent decree has the same dignity and conclusiveness as one entered after trial; indeed the Circuit Court acknowledged "the general principle that a consent decree is *res adjudicata* of the issues included" (IV 1714). *Swift and Co.* v. *U. S.*, 276 U. S. 311; *Harding* v. *Harding*, 198 U. S. 317; *U. S.* v. *International Harvester Co.*, 274 U. S. 693, 703.

The declarations as to the corporate status of Jasco, S. I. G., Development and Standard—all wholly included in the Jersey system—manifestly performed the function of findings of fact. As an integral part of the consent decree, the declarations of course did not embody a determination by the court after trial. They represented, however, a formal compromise adopted by all the parties (including the Attorney General and the Custodian) and effectively sanctioned by the New Jersey court.

It would seem apparent that agreement upon the operative provisions of a consent decree could scarcely be achieved without a foundation of agreed facts. Particularly in framing consent decrees in antitrust suits, it has become conventional practice to include a statement of agreed facts on which the operative provisions are predicated. While such agreed facts are arrived at by compromise rather than by trial, it is obvious that they must be

deemed to be as fully settled, for all purposes of the decree, as are the mandatory and injunctive provisions themselves. As integral parts of a whole, all alike necessarily bear the stamp of final adjudication.

It thus becomes apparent that the courts below have repudiated not a mere "identifying label" but a formal declaration intended to serve as an essential finding of fact. While purporting to recognize the consent decree, they have taken the liberty of substantially altering its real meaning and effect by the simple process of substituting a new definition of Jasco in place of that which the New Jersey court explicitly declared applicable throughout.

Indeed, so far from regarding the definition of Jasco as a mere "identifying label" without effect on the operative provisions of the decree, the Second Circuit Court of Appeals at another point in its opinion treated this very definition as having an operative effect. It is upon this definition that the Circuit Court (IV 1722-3), dealing with the unclean hands theory, rests the quite gratuitous conclusion that petitioners "sought to deceive their government" and thereby acquire property really belonging to I. G. While we show hereinafter (pp. 27-31) the error inherent in this conclusion, we point to it here as acknowledgment by the Circuit Court that the definition was more than a mere label.

Apart from the direct diversion of half of the Jasco stock, the disregard of the New Jersey court's declaration has led to another singularly unjust result as pointed out later (pp. 23-4) in dealing with the Jersey-originated patents which the Jersey group obviously consented to turn into Jasco only on the basis of the declaration that the Jasco stock was wholly owned by Development. We shall also deal at a later point (pp. 24-31) with the Circuit Court's conclusion (not shared by the District Court) that the New Jersey court's declaration must have been induced by misrepresentation inasmuch as the lower courts, upon a series of inferences, have now found the declaration contrary to fact.

It would seem obvious that no dependence may be placed on the meaning or finality of consent decrees in antitrust

actions if other courts are free to undermine them by rewriting their findings and redefining their terms.

The Overriding by the Court below of Injunctive Provisions of the Consent Decree

Not only has the consent decree been undermined by the alteration of findings and definitions. Its basic injunction has been countermanded in a substantial and important respect.

The consent decree enjoined the petitioners from further performance of any of the provisions of the Four-Party Agreement (III 1010-1). Nevertheless, the Circuit Court has now required the petitioners to account to the Custodian for royalties from S. I. G. patents in the same manner and measure as they would have been obliged to account to I. G. under the Four-Party Agreement (IV 1718).

This, we submit, is manifestly a mandate requiring the petitioners to continue the performance of the very provisions of agreements the further performance of which was flatly enjoined by Section III of the consent decree (III 1010-1).

Appreciating the impropriety of such a mandate, the Circuit Court of Appeals described the "rights to recover patent royalties" as constituting elements of title "because of their substantial nature and their great monetary value." This description cannot turn contractual provisions into property rights. It is well established that the right to royalties is no part of the title to a patent since the reservation of such a right does not prevent the passing of the entire title. (See cases cited in paragraph 2 on page 34 hereinafter.)

Nor is it an answer to say that the Custodian supplanted I. G. As heretofore shown, the whole structure of the consent decree demonstrates that it was designed to enjoin further performance of the provisions in question precisely as though I. G. had not been supplanted. On any other basis the consent decree is unintelligible as an antitrust document.

In this connection, we call attention to an extraordinary corollary of the requirement that the petitioners account to the Custodian as above stated. While the petitioners are saddled with this burden of continued performance, the Custodian is relieved of any performance of—and in fact is wholly incapable of performing—the related provisions which I. G. would have had to continue performing under the same agreements.

It is not a sufficient excuse for the injustice of this one-sided enforcement of agreements to say that the New Jersey court was concerned with an antitrust problem and not a problem in the law of contracts. On its face, the discriminatory mandate that petitioners perform in the face of non-performance by I. G. or the Custodian stands as a purely arbitrary and unjustifiable penalty.

Apparently recognizing that the imposition of this unilateral burden upon the petitioners called for some justification, the Circuit Court below purported to supply such a justification by asserting that the requirement imposed upon the petitioners was necessary to prevent a "windfall" to them. But this purported justification completely overlooks the fact that I. G., in part consideration, would have had to contribute for a period of nearly six years new inventions of which the petitioners are now deprived; and the court below further ignores the fact that the petitioners recover nothing of the $35,000,000 originally paid to I. G., despite the fact that continued performance by I. G. is part of the consideration for which the $35,000,000 was given (I 77). Furthermore, the purported justification overlooks the fact that the consent decree was arrived at by compromise and, as such, was naturally the result of give and take.

Without going into further details of the conflict between the decisions in the two Circuits, we submit that the foregoing is more than sufficient to demonstrate that the courts below have arrogated to themselves the right to ignore or distort the agreed definitions and the operative

provisions of the decree entered by the court of another circuit. To tolerate the arrogation of such a right would manifestly disrupt the established scheme of Federal jurisdiction.

Point II. The Court Below Erred in Refusing to Grant Relief Against the Custodian's Claim to an Interest in the Jersey-Originated Patents.

As required by the consent decree, Jersey assigned to Jasco many Jersey-originated patents embodying inventions by Jersey research workers (I 157-8). The courts below have held that with the exception of Oppanol developments, I. G. never had any rights whatever in those patents (I 158; IV 1721). They were transferred to Jasco as a licensing agency (III 1012-4) to administer the compulsory licensing requirements of the consent decree (III 1012-8), on the agreed premise that Jasco was wholly owned by Development (III 1002). The transfer was not meant to deprive Development of or to donate to Jasco or anyone else the beneficial interest in those patents; on the contrary, Section VII of the decree expressly provided that nothing therein should "affect or diminish any right, title or interest of the defendants [petitioners here] . . . in or to or under any presently existing patents . . ." (III 1022).

Despite his consent to the antitrust decree, the Custodian now claims that through his half ownership of the Jasco stock he has obtained a windfall of an indirect half interest in the Jersey-originated patents—property which the Custodian never vested.

The courts below erred, for the reasons stated in Point I, in not according recognition to the definition of Jasco contained in the consent decree. Moreover, the decision on this point is manifestly unjust and should be reviewed for the following reasons:

1. The Custodian derives his rights from I. G. and is therefore entitled to no more than I. G.: *Kahn* v. *Garvan*, 263 F. 909, 912 (S. D. N. Y.); *Sutherland* v. *Selling*, 16 F.

(2d) 865, 868 (C. C. A. 9), cert. den. 273 U. S. 760; *Matter of People (Second Russian Ins. Co.)*, 256 N. Y. 177, 188, cert. den. 284 U. S. 678; and see *Stoehr* v. *Wallace*, 269 F. 827, 835, 840-1 (S. D. N. Y.), aff'd 255 U. S. 239.

The Trading with the Enemy Act, aimed at crippling the enemy, charges the Custodian with the duty of sequestering alien property only; he has no authority to retain any interest in American property such as the Jersey-originated patents. Had the Custodian seized a direct interest in those patents, petitioners could have recovered that interest. Yet the decision below in effect deprives petitioners of the right of redress against the Custodian's claim of an indirect interest.

2. The court below erred in denying petitioners relief on the theory of unclean hands, *viz*, that the transfer of I. G.'s Jasco stock pursuant to the Hague Memorandum was fictitious and hence that Jersey was guilty of misrepresentation because the consent decree defined Jasco as a wholly-owned subsidiary of Development (IV 1721-3). This holding is erroneous for the following reasons:

(a) The holding must rest on the pure assumption that there was an unwritten agreement collateral to and in direct opposition to the Hague Memorandum (which contained the agreement to transfer the Jasco stock) and that the directors of Standard and of the subsidiaries involved not only ratified the unwritten understanding but also knowingly approved the promulgation of the Hague Memorandum as a cloak or cover. Only on that assumption may Jersey be charged with misrepresentation.

The assumption is wholly untrue and unsupported by a grain of evidence.[2]

(b) The holding, even if factually justified, could not sustain the action of the Court of Appeals because § 9(a) of the Trading with the Enemy Act looks only to titles, and

[2] Attention might be called to the fact that the finding on this point (Finding 63, I 135) carries no reference to the record, for the good reason that none could be made.

not to the conduct of the owner. In appropriate part, that section provides that when property has been vested, a claimant—

> "may institute a suit in equity . . . to establish the interest, right, title or debt so claimed, and if so established the court *shall order* the payment, conveyance, transfer, assignment, or delivery to said claimant . . . of property so held by the Alien Property Custodian" (50 U. S. C. App. § 9(a)) (italics ours).

The Circuit Court of Appeals found (IV 1721) that "I. G. never owned or possessed rights in these patents prior to the consent decree." Nevertheless, it denied relief on considerations of "equity and good conscience" (IV 1722).

The explicit language of the statute, we submit, limited the court to the single issue of I. G.'s ownership: on finding ownership not in the enemy, the statute provides, the court "*shall order*" a return. To make a finding that the patents were not enemy property and then deny a return on considerations of "equity and good conscience" was to defy the statutory mandate.

No decision under the Trading with the Enemy Act of 1917 has settled this issue of statutory construction. But precedent is not lacking. In *Miller* v. *United States,* 11 Wall. 268, the Court held that considerations of conduct were irrelevant under the Acts of 1861 and 1862:

> ". . . the right to confiscate the property of all public enemies . . . has no reference whatever to the personal guilt of the owner of confiscated property, and the act of confiscation is not a proceeding against him. The confiscation is not because of crime, but because of the relation of the property to the opposing belligerent, a relation in which it has been brought in consequence of its ownership." *Miller* v. *U. S.,* 11 Wall. 268, 305-6 (1871).

And in connection with Sherman Act violations, this question has been resolved in favor of the contention of the

petitioners; cf. *Hartford-Empire Co.* v. *United States,* 323 U. S. 386; *United States* v. *National Lead Co.,* 332 U. S. 319.

If similar considerations do not affect the 1917 Act, then the Custodian has power to seize and keep American property in any case where the owner has violated rules of law or good conscience. To impute any such intention to Congress would do violence to the Act and raise obvious Constitutional implications.

(c) Even assuming *arguendo* that the acquisition of the five shares of Jasco stock was a sham—which Jersey vigorously denies—the Court of Appeals erred in applying the doctrine of unclean hands, because whatever wrong was done had been righted by the vesting before the consent decree came into existence.

On the equities, the trial judge—who made the original finding of sham—expressed agreement with petitioners, though declining to act on jurisdictional grounds. He said:

> "I would like to be convinced [on the jurisdictional point], Mr. Davis, frankly, but I do not think you have convinced me. I have not heard from the other side yet, and I do not want to say anything as yet about the equity of the matter, but I am greatly impressed with your [petitioners'] argument so far as what a layman would say was the equity of your argument. I am, however, very bothered about my power" (II 721).

When, after the decision, defendant's counsel raised for the first time the issue of unclean hands, the trial judge was obviously offended and himself characterized its effect as a windfall:

> "The Court: Doesn't that offend you at all, the case of the Custodian getting an entirely unearned benefit because of the seizure?
>
> Mr. Kaplan [for the Custodian]: There is no problem of earning anywhere. There is nothing that the Custodian earns in any of this situation.
>
> The Court: A windfall, if you like that better" (S. M. 1165, not printed).

And in discussing the very question whether the asserted misconduct barred recovery of the Jersey-originated patents, the trial judge stated:

> "The Court: Of course, under your view and under my findings and decree, the taint had been atoned for by a taking [of the Jasco shares] by the Custodian before the Jersey originated patents were assigned to Jasco. Whatever wrong was done by the plaintiffs had already been atoned for by the taking of the I. G. assets by Vesting Order No. 1. The slate was then clean.
>
> Mr. Kaplan: Not as of the moment of the consent decree.
>
> The Court: Oh yes. The Vesting Order preceded the consent decree by a few minutes, but preceded it.
>
> Mr. Kaplan: Yes, but the plaintiffs still were not disclosing the enemy interest in the Jasco stock.
>
> The Court: Yes, but they had already disgorged, whether they knew it or not" (S. M. 1168, not printed).

These views of the trial judge, familiar with all of the details of this complicated question, throw strong light on the equities involved.

> "*A wrong which has been righted* may not be pleaded against a party to a suit in equity, on the theory that the party charged therewith is in Court with 'unclean hands.'" 2 Pomeroy's Eq. Jur. (5th ed.), § 399.

(See to the same effect: *Stockwell* v. *McAlvay,* 10 Cal. 2d 368, cert. den. 304 U. S. 547; *Carman* v. *Athearn,* 175 P. 2d 926, 933-4 (Calif. App. not yet officially reported); *Dickerson* v. *Murfield,* 173 Or. 662; *Sherwood Co.* v. *Sherwood Distilling Co.,* 177 Md. 455; *Comstock* v. *Thompson,* 286 Pa. 457; *McNair* v. *Benson,* 63 Or. 66; Anno. 4 A. L. R. 59; 30 C. J. S. § 98, p. 489.)

(d) The Circuit Court of Appeals exceeded its powers and violated petitioners' elementary rights in making a finding on a matter not tendered or litigated at the trial.

The trial judge made no finding that the petitioners were guilty of any fraud in procuring the consent decree.

Rather, as we have just shown, he was of the opinion that whatever taint he found in the transfer of the five shares of Jasco stock had been purged by the vesting, and when the idea of fraud in the procurement of the consent decree was first suggested *after* his decision that the Custodian owned the five shares, he recoiled from the suggestion (II 721-4).

The Circuit Court of Appeals, on the other hand, reversing on the question of the trial court's jurisdiction to protect Jersey's interest in property assigned to Jasco, went on to make a new finding of its own—in the absence of any trial or finding on that issue in the District Court—namely: that if I. G., as found by the trial judge, remained the owner of 50% of Jasco in spite of the Hague Memorandum, then petitioners were *ipso facto* guilty of fraudulently procuring the consent decree because that decree declared that Jasco was 100% Jersey-owned.

That, however, was not necessarily so: it overlooks the time-lapse between the Hague meeting and the consent decree, during which time, a new trial might show, the Government considered the Hague transfers sham,[3] and cast its bargain accordingly. If that was so, then Jersey, which made many concessions in the consent decree, practiced no deceit, and had clean hands.

When, therefore, the Circuit Court found (IV 1722) that the consent decree was a "part of their [petitioners'] scheme to deceive their government", and utilized that finding as the basis for denying the relief which the trial judge approved but held himself powerless to grant, it was making a new finding, inconsistent with the views of the trial court, on an issue not framed or litigated below and one

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[3] Testifying before the Truman Committee at 10:45 A.M. on March 26, 1942—the day after the consent decree was entered—Mr. Thurman Arnold, then head of the Anti-trust Division, said ". . . it is impossible to doubt that the Hague Memorandum is anything but a device for the continuation of the conspiracy, at least through the war between Germany and Great Britain." (Hearings pursuant to Sen. Res. 71, 77th Cong., Part 11, p. 4311.)

which petitioners had no occasion, and hence no opportunity, to meet. [4]

We are not here dealing with any question as to the genuineness of the Hague Memorandum or of the assignment of the Jasco shares; we are here dealing with the question whether the Government was actually misled into accepting them as genuine for the purposes of the consent decree.

The sheer injustice of the decision below is evident from the court's statement (IV 1723) that the "misconduct of the plaintiffs . . . prevailed throughout the procurement of

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[4] Within the limits of a petition for certiorari, we can only hint at some of the factors that might enter into a trial of this issue:

1) Government counsel joined in the consent decree although, during the negotiations therefor, they had suspicions about the Hague transactions (see, e.g., pars. 120 and 121 of their complaint, Ex. P-98).

2) Disclosure of the negotiations leading to the consent decree would reveal many pertinent facts, including the Government's insistence (in documentary form) that the Hague Memorandum be declared void (as to which Jersey yielded), that a public licensing agency take over the Jasco patents including the Jersey-originated patents, and that the Custodian take 50% of the income therefrom (as to which the Government yielded).

3) Evidence as to the months of unhindered access by government investigators to Jersey's files and voluminous testimony by those same investigators given before the Truman and Bone Committees would show that the Government's actual knowledge of the Hague transactions was nothing short of encyclopedic.

No more is needed to show the possibility of establishing on a trial that when bargaining finally resulted in a decree stipulating Jersey's ownership of Jasco, Jersey was not misleading the Government and could not have done so, and that the Government *was stipulating a fact regardless of its objective existence or non-existence*, in order to achieve a desired result. That would not be improper bargaining or deceit; it could not support a finding of unclean hands.

the consent decree": not one word of evidence was taken at the trial concerning the negotiations that actually led to the final agreement between the petitioners and the Government.

Consequently, it is clear that the Court of Appeals violated the rule that where the trial court erroneously has held itself without jurisdiction to determine a question, the case should be remitted to the trial court with directions to proceed to a trial. As this Court said in *Oklahoma Natural Gas Co.* v. *Russell*, 261 U. S. 290, 293: "Generally it is not desirable that we should pass upon such matters until they have been dealt with below". Hence it may be said of this case, as the Court said in *Lutcher & Moore Lumber Co.* v. *Knight*, 217 U. S. 257, 267: "that it inevitably results that the effect of the action of the Circuit Court of Appeals was substantially to deny to the plaintiffs . . . their day in court; in other words, was equivalent to condemning them without affording them an opportunity to be heard". Rather "the duty of the circuit court of appeals was to reverse the decree, set aside the order and remand the cause . . .". *Texas & P. R. Co.* v. *Interstate Commerce Comm.*, 162 U. S. 197, 238.

The rule referred to is the necessary and logical consequence of the fact that Congress has conferred upon the circuit courts of appeal "appellate jurisdiction to review by appeal final decisions . . ." (§ 128 Judicial Code [28 U. S. C. § 225]); the circuit courts of appeal have no authority to formulate and set out findings and conclusions of their own (see *Flewellen et al.* v. *Logan*, 106 F. 2d 151 (C. C. A. 5)), particularly on matters not tried or even raised below (cf. *General Utilities & Operating Co.* v. *Helvering*, 296 U. S. 200, 206-7).

The decision of the Circuit Court of Appeals denying petitioners relief on this point, on its own finding respecting an issue of fact never presented to or determined by the trial court, is contrary to the decisions of other Circuits as well as the decisions of this Court to the effect that the proper practice in such a case is to remand cases to the trial court for further findings. *United States* v. *Brooks-Callaway*

Co., 318 U. S. 120; *Kelley* v. *Everglades Drainage District*, 319 U. S. 415; *Commissioner* v. *Lane-Wells Co.*, 321 U. S. 219; *City of Abilene* v. *Cornell University*, 118 Fed. 379 (C. C. A. 8); *Hunter et al.* v. *Scruggs Drug Store Inc.*, 113 F. 2d 971 (C. C. A. 4); *Schilling* v. *Schwitzer-Cummins Co.*, 142 F. 2d 82 (App. D. C.); *Timetrust Inc. et al.* v. *S. E. C.*, 130 F. 2d 214 (C. C. A. 9).

Accordingly, a substantial question as to the boundaries of the appellate jurisdiction of the Federal courts is presented for this Court's review.

POINT III. The Circuit Court Erred in so Modifying the Decree of the District Court as to Deprive Petitioners of Property Rights in the S. I. G. Patents Acknowledged by Both Courts.

The decision of the Court of Appeals is in conflict with the applicable decisions of this Court and is a violation of the requirements of § 9(a) of the Trading with the Enemy Act, which provides that when property has been vested by the Custodian, the claimant—

> "may institute a suit in equity . . . to establish the interest, right, title or debt so claimed, and if so established the court *shall order* the payment, conveyance, transfer, assignment, or delivery to said claimant . . . of property so held by the Alien Property Custodian . . . or the interest therein to which the Court shall determine said claimant is entitled" (50 U. S. C. App. § 9(a)).

Under that statute it is the duty of the court to direct the return to the claimant of his *entire interest* in the vested property. There is no authority or justification for the return of a lesser interest such as ordered by the Circuit Court of Appeals herein.

The entire interest in the vested property which petitioners are entitled to recover was properly held by the District Court to consist of the following: (1) the entire title, legal and equitable, in those Class A patents that had been actually assigned to S. I. G. before September 1939, (2) the right in equity to require assignment to S. I. G.

of the remainder of the Class A patents (I 47, 86-7, 155), and (3) the exclusive rights under the Class B patents "of the scope defined in the Four-Party Agreement" (I 155) i. e., "An exclusive license (excluding also I. G.) and right to license others but only insofar as they are useful in the hydrocarbon field" (I 80, 81). No other finding was possible.

The Circuit Court of Appeals itself voiced its approval of the findings of the District Court concerning the S. I. G. patents[5]. It determined that the property rights in question were of a sort for which the petitioners may sue and have judgment in this action (IV 1714). On considering the

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[5] After a brief outline of the Four-Party Agreement, the opinion below states: "This agreement was put into effect and patents and rights in patents were assigned to S. I. G." (IV 1698)

Then referring to the finding of the District Court that all of the transactions relating to these patents were in good faith, the opinion repeats the assertion of the district court that—"The formal legal interests apparently created by the documents were intended by the parties as substantial ones. Nor did the parties contemplate any substantial readjustments after the war except in the regular course of normal business transactions." (IV 1701)

After reference to the fact that S. I. G., by the Four-Party Agreement, agreed not to operate under the patents, and to the fact that the charter of S. I. G. similarly limited S. I. G. activities, the Court said: "Under Article II-A of the Four-Party Agreement, I. G. assigned and agreed to assign to S. I. G. all of its patent rights outside Germany which related wholly or principally to the hydrocarbon field. . . . A schedule of patents assigned under this provision was annexed to the agreement, but it was recited that the omission from the schedule of specific patents falling within the terms of the assignment did not exclude them from the operation of the assignment." (IV 1711)

The Circuit Court then states, as its own finding: "Subject to I. G. participation in S. I. G.'s revenues, the Jersey group was to enjoy the fruits of ownership of both classes of patents in so far as they pertained to the hydrocarbon field; I. G. was to enjoy those fruits outside the hydrocarbon field." (IV 1712)

effect of the provisions of the consent decree, it stated that (IV 1716)—

> "Save as to the requirements for indiscriminate licensing, these provisions do not diminish S. I. G.'s previous rights in the S. I. G. patents. These S. I. G. is entitled to recover. . . ."

The Court of Appeals then passed to a consideration of the effect of the consent decree on the Custodian's rights (IV 1716-18) and held that those rights were diminished by that decree only to the same extent as petitioners' rights, i. e., by the requirement for indiscriminate licensing through S. I. G., and that they included the right to receive the accountings and payments which S. I. G. would have been obliged to make to I. G. under the terms of the Four-Party Agreement. The decision below then comes abruptly and without warrant to the contradictory and inconsistent conclusion that the decree of the District Court herein must be modified to cut down drastically the rights recoverable by S. I. G.—to grant recovery "of only the Custodian's licensing power in the S. I. G. patents" (IV 1718).

In short, the decision below awards to S. I. G. simply the licensing power which the Custodian agreed by the consent decree to grant to S. I. G., and omits entirely the legal and equitable titles and exclusive licenses to which S. I. G. was entitled at the time of vesting.

Without those titles and exclusive licenses S. I. G. is powerless to enforce its rights against infringers or to enjoy what both courts concurred in finding within its property rights before the vesting, namely, "the fruits of ownership of both classes of patents in so far as they pertained to the hydrocarbon field" (IV 1712). One who is not "interested as patentee, assignee or grantee" and who holds rights under a patent amounting to less than an exclusive license is not even permitted to join as plaintiff in an infringement suit. R. S. § 4919, U. S. C. title 35, sec. 67; *Walker on Patents,* Deller's Ed., Vol. III, p. 1640. An exclusive licensee may enforce his rights in equity, but only on joining the patent owner with or without the latter's con-

sent. *Deitel* v. *Chisholm,* 2 Cir., 42 F. 2d 172, 173; *Walker on Patents,* Deller's Ed., Vol. III, p. 1639. To enforce any rights under the patents, the petitioners must, therefore, recover either the title or an exclusive license.

That the parties to the Four-Party Agreement intended S. I. G. to have the rights of exclusion in its own name is shown not only by the assignment of the patents but by the transfer to S. I. G. of all claims for past infringement (see Ex. P-5, Type B assignment). S. I. G.'s right to sue for infringements of all the patents here in issue was expressly preserved by Sec. VII of the consent decree (III 1022).

The basis for depriving petitioners of their titles and exclusive licenses is nowhere stated by the Court of Appeals. Its holding is contrary to applicable decisions of this Court which support the holding of the District Court:

1. The reservation by I. G. of an exclusive license outside the hydrocarbon field under the patents assigned to S. I. G. (III 838) in no way derogates from the transfer of the entire title to the assignee. *Littlefield* v. *Perry,* 21 Wallace 205; *Green* v. *LeClair* (C. C. A. 7) 24 F. 2d 74; *Hawkinson* v. *Carnell* (C. C. A. 3) 112 F. 2d 396-7; *Sirocco* v. *Monarch* (S. D. N. Y.) 184 Fed. 84; *Mallory* v. *Automotive* (S. D. N. Y.) 45 F. 2d 810.

2. The obligation by S. I. G. in the Four-Party Agreement to pay to I. G. approximately 20% of the royalties received (III 841-3) in no way derogates from the transfer of the entire title to the assignee, such right to a share of royalties being but a contract right and not a part of the title to the patents. *Rude* v. *Westcott,* 130 U. S. 152, 162; *Littlefield* v. *Perry,* 21 Wallace 205; *Tilghman* v. *Proctor,* 125 U. S. 136, 143; *Kenyon* v. *Automatic Instrument Co.* (C. C. A. 6), 160 F. 2d 878.

3. The provision of the Four-Party Agreement that S. I. G. was not to engage in any business save that of granting licenses or transferring interests in patent rights (III 840) in no way derogates from the transfer of the entire title to the assignee. It was a contract obligation that ran for the life of the contract and not the life of the patents;

and it did not reserve to I. G. any part of the title or any right to sue S. I. G. for patent infringement in the hydrocarbon field. *Robinson on Patents,* Sec. 764; *Waterman* v. *Mackenzie,* 138 U. S. 252, 256; *Waterman* v. *Shipman* (C. C. A. 2) 55 Fed. 982, 984; *Barry* v. *Colville,* 7 N. Y. Supp. 36, 53 Hun 620, affirmed 129 N. Y. 302; *Curtiss et al.* v. *United States,* 75 Ct. Cl. 286, 307, cert. den. 287 U. S. 648; *Kulesza* v. *Blair* (C. C. A. 7), 70 F. 2d 505, 507; cert. den. 293 U. S. 593; *Kulesza et al.* v. *Am. Car & Foundry Co. et al.* (N. D. Ill.) 27 F. Supp. 151, affirmed (C. C. A. 7), 111 F. 2d 58, cert. den. 311 U. S. 668; *Doherty Research Co.* v. *Vickers Petroleum Co.* (C. C. A. 10) 80 F. 2d 809.

The Court of Appeals has, without justification in fact or in law, and punitively, completely destroyed the very rights which, according to that same Court, "because of their substantial nature and great monetary value . . . are substantial enough to be regarded as some form of property interest, for which the plaintiffs may sue and have judgment in this action" (IV 1714).

Conclusion

The decisions below present among other things conflicts between the Second and Third Circuits, grave questions of the stability of consent decrees to which the United States is a party, the proper interpretation of the Trading with the Enemy Act, the propriety of new findings by the Courts of Appeal as to questions not tried in the District Courts, and the proper application of the patent laws, and thus raise questions of general public importance which should receive review at the hands of this Court.

Respectfully submitted,

JOHN W. DAVIS,
THEODORE S. KENYON,
Counsel for Petitioners.

New York, N. Y.
February 6, 1948.

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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1947

No. 576

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, AND JASCO, INCORPORATED,
Petitioners,

vs.

TOM C. CLARK, ATTORNEY GENERAL, AS SUCCESSOR TO THE ALIEN PROPERTY CUSTODIAN, SUBSTITUTED FOR JAMES E. MARKHAM, AS ALIEN PROPERTY CUSTODIAN,
Respondent

ON PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF FOR PETITIONERS

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ON PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY BRIEF FOR PETITIONERS

After having obtained from Mr. Justice Jackson by order of February 6, 1948 an extension of time for the purpose, Tom C. Clark, Attorney General, as successor to the Alien Property Custodian, filed a so-called conditional cross-petition (No. 641, this Term) with respect to the petition of the

above-named petitioners filed February 6, 1948 seeking a review of the decision of the Second Circuit Court of Appeals herein on six questions. The practice of filing "conditional cross-petitions" seems to us an anomaly. While presenting issues which he asserts are worthy of the attention of this Court, the Attorney General offers to abandon them provided this Court will reject the issues urged by plaintiffs-petitioners. Either the Attorney General invokes the revisory jurisdiction of this Court, or he does not. Since by filing his petition he has done so, it is submitted that he has in effect consented to the granting of the writ prayed for.

Opinions Below, Jurisdiction, Statute Involved and Statement

These matters are covered in the above-entitled petition and brief filed February 6, 1948 (pp. 2-8 and 13).

Questions Presented

In the petition we stated six questions for review. In his cross-petition (No. 641, this Term), the Attorney General, as petitioner, has stated for review the propriety of a finding of fact concerning the sale by I. G. of 200 shares of S. I. G. stock, which finding was reviewed and approved by the Circuit Court of Appeals (Question No. 5 at p. 3 of cross-petition, No. 641, this Term).

Should the Court accept for review this finding of fact (which we think it should not), then we ask leave to add as further questions to be determined herein:

7. Was the conclusion of the District Court, approved by the Circuit Court of Appeals, that the sale by I. G. to petitioner Standard Oil Development Co. of five shares of Jasco stock was not a genuine transaction, clearly erroneous upon this record?

8. Was the conclusion of the District Court, approved by the Circuit Court of Appeals, that the Hague transactions were not genuine transactions but were accompanied by contrary unwritten agreements, clearly erroneous upon this record?

ARGUMENT

We here deal very briefly with the respondent's contentions (pp. 12-25) that the issues presented in the petition do not require review here.

1. The Conflict with the consent decree as to the Jasco shares.

a) Respondent contends that the court below "fully recognized" the binding force of the consent decree as *res judicata* (resp. br., pp. 13-14). While the court indeed acknowledged that principle (IV 1714), its decision so "misconceived the purpose and effect of certain provisions" (resp. br., p. 14) as to nullify the principle in effect.

b) Respondent contends that the agreed declaration of the consent decree as to the Jasco ownership is not binding because there is "no occasion" in an antitrust proceeding to establish property rights as between the parties. That, we submit, is idle speculation: the question is not whether it is generally appropriate to fix rights, but whether a decree in this form does so. Adherence to the "identifying label" theory of the court below is no answer to internal evidence showing that the declaration was intended to and did fix rights (see pp. 16-23 of our main brief).

c) Respondent contends that the consent decree in Articles VII and XII, which he describes as "parallel" (br., p. 15), negatives any intent to adjudicate the Custodian's ownership. Actually, no such parallel exists. Article VII was an explicit preservation and confirmation of Jersey's

then existing rights as acquired under the agreements declared illegal, despite the declaration of illegality and the injunction against further performance (Art. III) and despite the compulsory licensing requirements (Art. IV). By contrast Article XII, which deals with the Custodian's rights, saves only such of his property rights "*as may remain unaffected by the terms of this decree*" (III 1024)—language for which no parallel can be found in Article VII (III 1022).

d) Respondent contends that giving effect to the Jasco ownership declaration would constitute a "reward" in the form of "a gift of valuable property rights" to Jersey (br., p. 15). The argument is sheer sophistry. First, it assumes that I. G.'s ownership of the Jasco shares was a conceded fact at the date of the decree; second, it assumes that Jersey gave up nothing when it consented to the decree. Actually, Jersey has never conceded that I. G. owned the Jasco shares, and in any case had the right to assume that if there was any cloud on its title, that cloud was removed when Jersey consented to the loss of all *future rights* under its contracts with I. G. and to compulsory licensing of its patents (including the Jersey-originated patents), all as part of a negotiated compromise declaring *inter alia* that it was the sole owner of Jasco.

e) Finally, respondent attempts to repudiate the Custodian's signature on the consent decree by observing that neither the Custodian nor "his advisers" had an opportunity to unravel the Jasco transactions before signing it (resp. br., p. 16). But the Custodian's adviser was the Attorney General, who was his counsel in fact and whose advice, by force of statute, he was required to act upon. Actually, the Antitrust Division had the most comprehensive knowledge of these matters, as shown by the mass of docu-

ments from Jersey files spread on the minutes of the Truman and Bone Committees by Government counsel before the ink on the decree was dry. If respondent would have the Court infer that the decree was improvidently drawn, the antitrust court and not the Second Circuit was the proper forum in which to seek its modification.

Thus the conflict between the consent decree in the Third Circuit and the judgment directed by the Second Circuit is fundamental and rises above the specific subject-matter and requires resolution at the hands of this Court.

2. **Review of findings as to Jasco shares and the Hague Transactions.** The argument underlying Question No. 5 of the cross-petition in No. 641 is in reality this syllogism: the Hague transfer was not genuine; the S. I. G. transfer was like the Hague transfer; *ergo* the S. I. G. transfer was not genuine (cross-petition, p. 3). We did not in our petition propose review of the findings as to the genuineness of the Hague transfer because they present a question purely of fact. However, if respondent as cross-petitioner should secure a review of the minor premise, review of the major premise presented in Questions seven and eight above is clearly indicated.

3. **The Jersey-originated patents.** A conspicuous injustice in the decision below is the action of the court with respect to petitioners' own patents in certain fields, assigned to Jasco pursuant to the consent decree in reliance upon the declaration therein that the stock of Jasco belonged wholly to petitioners.

In response to our contention that the Circuit Court of Appeals violated proper appellate practice in making findings as to matters on which the trial court had exercised no jurisdiction, the respondent argues that "the issue of the petitioners' unclean hands *in respect of these patents*

was fully litigated . . ." (br., p. 18). The question-begging involved in the words italicized is apparent when it is realized (a) that these patents were not involved in the 1939 transactions to which the district court's findings related, (b) that the consent decree was entered in March 1942, two and a half years after the 1939 transactions and (c) that any determination of the 1939 transactions as sham (even if justified) is quite consistent with a firm belief by the petitioners in their validity at the time the consent decree was negotiated.

Manifestly, the question of sham in the 1939 transactions is not the same as that of fraud in the negotiation of the consent decree. Yet the court of appeals presumed to make its own findings on the latter question based solely on the conclusions relating to the former (IV 1722-3).

Respondent's statement that "the defense was urged" in the trial court (br., p. 18) merely begs the question because any inquiry as to the merits of that defense was barred *in limine* when the court declined to take jurisdiction.

These considerations show the importance of the petitioners having their day in court upon the merits of the defense.

In this aspect, the case involves not only the manifest injustice of the action of the Circuit Court of Appeals, but also the important and novel question whether the Custodian can as a matter of law justify the retention of property neither enemy-owned nor vested as such, on considerations of "equity and good conscience" (IV 1722). The privilege of such a defense would inevitably effect an expansion of the Custodian's power to seize and retain far beyond the intended purpose of weakening the enemy. Such questions cast doubt upon the claims of Government counsel (usual in opposition) that the legal issues herein are "unique" and "of no general importance" (resp. br., p. 20).

4. The S. I. G. Patents.

The brief in opposition discusses two contentions.

The first contention—that the petitioners should pay to the Custodian the amounts that they were obligated to pay to I. G. under the Four-Party Agreement—is untenable for two reasons:

(a) It presents a diametrical conflict with Section III of the judgment of the antitrust court declaring the Four-Party Agreement and other agreements unlawful and explicitly enjoining the petitioners "from the further performance of *any* of their provisions" (III 1010-1, italics ours). The payments in question are payments in performance of the Four-Party Agreement. The very words of the court's decision so characterize them (IV 1718). So dia metrical a conflict between decisions of inferior federal courts plainly presents a proper question for review by this Court.

(b) It ignores the sound doctrine, elsewhere asserted by the Custodian (see pages 11-12 of his cross-petition in No. 641), that—

> "This Court has repeatedly declared that . . . rights to receive royalties under patents are merely contractual and not proprietary interests."

The doctrine is dispositive of the instant question. For if the Custodian's right to receive the payments in question is merely contractual and not proprietary, it could not possibly survive the declaration of illegality of the contract itself.

Elsewhere (p. 9 of his brief) the Custodian argues that the antitrust decree left unaffected the "property rights" of the Custodian. Since his right to receive royalties was not a property right, it was cut off by the antitrust decree. The contrary decision of the court below presents a mani-

fest conflict with the antitrust decree calling for the interposition of this Court.

Respondent's second contention—that the petitioner S. I. G. is not entitled to the return of the titles to the Class A patents and exclusive licenses under the Class B patents—is likewise untenable.

(a) As to the titles, the very decision which the Custodian cites to support his argument, denies it. In *Waterman* v. *Mackenzie* (1891) 138 U. S. 252, 261 (cited by respondent at page 23 of his brief and pages 11 and 12 of his cross-petition), this Court held that an assignment of a patent conveys the entire title and the sole right to sue for infringement even though the assignment was subject to an earlier exclusive license to a third party which deprived the assignee of the right either to manufacture or to sell the patented article. See also the cases cited in footnote on page 35 in petitioners' supporting brief.

The decision below is in direct conflict with these decisions.

(b) As to the "exclusive licenses and licensing rights," respondent argues that they were "contractual rights," cut off by the consent decree. But, as we have shown, Article VII of that decree (III 1022) expressly preserved to the petitioners all of their right, title and interest "in or to or under any presently existing patents, licenses under such patents . . ." etc., despite the holding of illegality of the agreements under which the rights and licenses were granted. This contrasts sharply with the provisions of Article XII, which preserves to the Custodian only his "property rights," and then only such as remained unaffected by that decree.

In his cross-petition (page 13), the Custodian submits to the Court that the nature of "the interest acquired by S. I. G. in the S. I. G. patents" presents "an issue of general

importance in the patent law." His assertion in the brief (page 24) that the issue "presents no conflict of decisions, and does not warrant further review" is therefore hardly convincing.

CONCLUSION

The writ prayed for in No. 576 should be granted in full, and should include Questions 7 and 8 on page 2 above if Question 5 in No. 641 is accepted for review.

Respectfully submitted,

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Counsel for Petitioners.

New York, N. Y.
March 23, 1948.

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In the Supreme Court of the United States

OCTOBER TERM, 1947

No. 576

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, AND JASCO, INCORPORATED, PETITIONERS

v.

TOM C. CLARK, ATTORNEY GENERAL, AS SUCCESSOR TO THE ALIEN PROPERTY CUSTODIAN

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The principal opinion of the District Court for the Southern District of New York (I 36–69)[1] is reported at 64 F. Supp. 656. During the course

[1] The references are to volume number (Roman numerals) and page number (Arabic numerals) of the printed Joint Appendix filed with this Court. We shall refer to exhibits by exhibit number, using the prefix "P" or "D" to indicate whether they were Plaintiffs' or Defendant's exhibits. We shall refer to unprinted portions of the Stenographers' Minutes, filed with this Court, as "S. M." followed by a page number.

of the trial the district court rendered two intermediate opinions (I 28–35) which are reported at 61 F. Supp. 813. The opinions of the Circuit Court of Appeals (IV 1695–1732) are reported at 163 F. 2d 917.

JURISDICTION

The decision of the Circuit Court of Appeals was rendered September 22, 1947 (IV 1733). Petitions for rehearing were filed by both sides (IV 1784, 1741). The order of the Circuit Court of Appeals denying the plantiffs' petition for rehearing and granting the defendant's in part was entered November 7, 1947 (IV 1747). The petition for writ of certiorari was filed February 6, 1948. The jurisdiction of this Court is invoked under the provisions of Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

QUESTIONS PRESENTED

1. Whether the court below misconceived the purpose and effect of certain provisions of an antitrust consent decree to which the petitioners and the Custodian were parties.

2. Whether, in the circumstances of this case, the court below erred (a) in denying the relief sought by the petitioners in respect of the so-called Jersey-originated Jasco patents, and (b) in failing to direct the return to petitioner S. I. G. of formal title to or an "exclusive license" under the S. I. G. patents.

STATUTE INVOLVED

The relevant portions of Section 9 (a) of the Trading with the Enemy Act, 40 Stat. 411, as amended, 50 U. S. C. App. 9 (a), are set out below.[2]

STATEMENT

The petitioners, plaintiffs below, are the Standard Oil Co. (N. J.) and three of its wholly or partly owned subsidiaries, Standard Oil Development Co., Inc., Standard I. G. Co., Inc. (renamed Standard Catalytic Co. at the beginning of World War II), and Jasco, Inc. We shall refer to them respectively as Standard, Development, S. I. G. and Jasco, and to the Standard Oil interests collectively as Jersey. All of the petitioners are corporations incorporated in the United States. They brought suit under Section 9 (a) of the Trading with the Enemy Act for the return of the entire ownership of two groups of patents—known as the S. I. G. patents and the Jasco

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[2] Section 9 (a), so far as relevant, provides as follows:

"That any person not an enemy or ally of enemy claiming any interest, right, or title in any money or other property which may have been conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian or seized by him hereunder and held by him * * * may institute a suit in equity * * * in the district court of the United States * * * to establish the interest, right, title, * * * so claimed, and if so established the court shall order the payment, conveyance, transfer, assignment, or delivery to said claimant of the money or other property so held by the Alien Property Custodian * * * or the interest therein to which the court shall determine said claimant is entitled."

patents—and for certain shares of stock in S. I. G., Jasco, and a third corporation known as USAC. These properties had been vested by the Alien Property Custodian[3] as the property of I. G. Farbenindustrie, A. G. (herein called I. G.), a German corporation and an admitted enemy within the meaning of the Trading with the Enemy Act.

The Facts.—The case arises out of the interrelations between Jersey and I. G. from 1926 until 1942. In the fall of 1929, Jersey and I. G. organized S. I. G., Jersey taking 800 of its shares and I. G. 200 (Fdg. 13, I 78). The parties then concluded a Four Party Agreement (P–15, III 834) by which S. I. G. acquired certain rights in I. G.'s present and future patents relating to the production of gasoline and other petroleum products—notably the patents for synthesis of gasoline from coal by the so-called hydrogenation process. By the terms of the Agreement, I. G. purported to assign to S. I. G. its present and future patents (referred to as the Class A patents) which related wholly or principally to the hydrocarbon field (i. e., the oil industry). It also purported to grant to S. I. G. an exclusive license and right

[3] The Attorney General has by Executive Order No. 9788, 11 F. R. 11981, succeeded to the functions of the Alien Property Custodian and was accordingly substituted in the court below (I 263). We shall use the term "Custodian" interchangeably to refer to the Alien Property Custodian and the Attorney General as Successor to the Alien Property Custodian.

to license others within the hydrocarbon field under other patents (referred to as the Class B patents) useful in that field, but also useful to a substantial degree outside it. In each class I. G. reserved to itself all rights outside the hydrocarbon field (III 838). By other provisions of the Agreement (Arts. IV and V, III 840–44), S. I. G. obligated itself not to engage in any business save that of granting licenses under these patents and undertook to adhere to certain prescribed licensing policies. It agreed to transmit approximately 20% of the royalties received from such licensing to I. G. and the remainder (after certain deductions) to Jersey. It further undertook not to transfer the patents, except to a transferee which would assume the same obligations.

By a contemporaneous agreement (P–16, III 852) Jersey agreed that it would not compete with I. G. in the chemical industry, I. G. agreed that it would not compete with Jersey in the oil and natural gas industries, and the parties undertook to cooperate on new developments in the borderline between those two fields. They further agreed (P–18, III 855) that in proceeding under these agreements they would "take care of any future eventualities in a spirit of mutual helpfulness", and particularly that if "the beneficial interest of either party" should "be alienated to a substantial degree by operation of law or governmental authority", they would "endeavor to

adapt their relations to the changed conditions which have so arisen." As part consideration for these agreements Jersey paid I. G. stock valued at over $35,000,000 (Fdgs. 14, 15, I 78–9; IV 1712).

Jasco, Inc. was created by the parties in September 1930, I. G. and Development each taking one-half of its stock. By the Jasco Agreement they defined the Jasco field (relating to chemical products using crude petroleum, natural bitumen or natural gas as a starting material) and bound the parties to negotiate in good faith with respect to the participation of each in any new process developed by either within that field (Conc. 15, I 99–100). By subsequent agreement in 1933 Jasco acquired certain rights in a process known as Oppanol, invented by I. G. (III 890). Although Jasco did some developmental work on three other I. G. processes, it had acquired no rights in them prior to the outbreak of World War II (Conc. 18, I 106–7).

In 1938 Jersey, I. G., and certain others agreed to form a corporation known as USAC, to develop a certain process for the synthetic production of gasoline. 850 shares of that corporation were issued in the name of S. I. G., but the parties agreed that Development would be the beneficial owner of 680 of those shares and I. G. of 170. (Fdgs. 40–44, I 107–109).

On September 1, 1939, the German armies invaded Poland. Two days earlier, the parties commenced what purported to be an extensive

"readjustment" of their arrangements, designed, as Mr. Frank Howard (President of Development, a director of S. I. G. and Jasco, and the principal representative of Jersey in all these transactions) contemporaneously reported to the President of Standard, as "a modus vivendi which would operate through the term of the war, whether or not the U. S. came in" (P–66, III 938). These transactions were avowedly intended to prevent seizure by an "Alien Property Custodian who might sell * * * to an unfriendly interest" (D–392, IV 1382). Jersey and I. G. drew up agreements and interchanged cables and letters by which I. G. purported to sell to Jersey the 200 shares of S. I. G. stock, the 180 shares of USAC stock, and the 5 shares of Jasco stock which I. G. then owned.[4] I. G. also purported to relinquish for the United States, the British Empire, the French Empire, and Iraq[5] all rights to I. G.'s patents in the Jasco field, in most of which Jersey had as yet acquired no rights of any kind. I. G. also executed formal assignments to S. I. G. of all patents under which S. I. G. had acquired licensing rights by the Four Party Agreement.

[4] The Jasco shares were first, with Jersey's concurrence, "sold" to Walter Duisberg, a son of one of the founders of I. G. and one of its American representatives (P–85, III 993; D–392, IV 1383). Subsequently this transaction was remade as a sale to Development (Fdgs. 57 (a), 61 (d), I 118–19, 133–4) and still later as a "sale" to trustees for Development (Fdgs. 67–70, I 137–139).

[5] Iraq was later excluded when the parties discovered that it was not at war with Germany (Fdg. 59 (1), I 128).

During the months preceding March 1942, the Antitrust Division of the Department of Justice was conducting extensive investigations of the Jersey-I. G. relationships with a view to determining whether those relationships resulted in a violation of the antitrust laws. Negotiations looking toward a consent decree were in progress (IV 1717). On March 11, 1942, the Office of Alien Property Custodian was created (Executive Order No. 9095, 7 F. R. 1971). Two weeks thereafter, on March 25, 1942, the Custodian issued Vesting Order No. 1 (7 F. R. 2417) vesting in himself all right, title and interest of I. G. Farbenindustrie in the properties in suit. A few hours later an antitrust consent decree was entered in the District Court for the District of New Jersey, naming the present petitioners and certain others as defendants. The Alien Property Custodian also signed the decree (Fdgs. 83–87, I 146–9). The decree, *inter alia,* enjoined the further performance of all agreements between Jersey and I. G. (with exceptions not here material). It is undisputed that the Custodian's participation in the decree as successor to I. G. had the primary purpose of providing a defense for Jersey against a possible later suit by I. G. for nonperformance of the agreements (IV 1718; see Petition, p. 16).

In addition to enjoining the continued performance of the agreements between Jersey and I. G., the decree (P–98, III 1000) directed the

present petitioners to transfer all their patent rights in the hydrocarbon field to S. I. G. and in the Jasco field to Jasco, and it directed those corporations to license the patents royalty free for the duration of the war emergency,* and at reasonable royalties thereafter (Art. IV (2)–(5), III 1011–3). It also provided that the decree should leave unaffected the property rights of the petitioners and the Custodian (Arts. VII, XII, III 1022, 1024).

Holdings of the courts below.—On the foregoing facts the courts below have made the following holdings. The district court found that with the exception of I. G.'s sale of its 200 shares of S. I. G.'s stock, none of the transactions which the parties purportedly made after the German invasion of Poland was intended as a genuine transaction and that all of the properties purportedly transferred to the petitioners by those transactions were intended to be held by them for I. G.'s benefit and subject to an unwritten and undisclosed agreement to return them to I. G. after the end of the war (Fdg. 61, Conc. 25, I 132–134, 135–136). The Circuit Court of Appeals has affirmed as "supported by fully adequate evidence" (IV 1701) and "quite just" (IV 1704) the findings that these were "sham transactions designed to create an appearance of Jersey ownership of property interests which neverthe-

* It was subsequently agreed by stipulation that the period of royalty-free licensing would cease on March 2, 1946.

less continued to be regarded by the parties as I. G. owned" (IV 1701). It has also rejected the petitioners' contentions that all of these properties were adjudicated to be theirs by the antitrust consent decree (IV 1710–11, 1714–19, 1720). Accordingly, it has denied all recovery with respect to the Jasco patents (other than certain rights in Oppanol), the 5 shares of Jasco stock, and 170 shares of USAC stock. The petitioners had also requested the court to transfer out of Jasco to others of the petitioners certain Jersey owned patents in the Jasco field in which I. G. had acquired no rights, asserting that the direction of the consent decree that they be placed in Jasco was based on the assumption that Jasco was wholly owned by Standard, which assumption this litigation has established to be incorrect. The district court denied this request for want of jurisdiction (I 225–6); the Circuit Court of Appeals denied it on the merits, holding that the petitioners should not be relieved of the consequences of their own affirmative misrepresentations made to the consent decree court as "part of their scheme to deceive their government" (IV 1722–23).

In the S. I. G. field, both courts held that the petitioners had validly acquired the S. I. G. shares (IV 1708). The district court held that S. I. G. had by the Four Party Agreement acquired title to the Class A patents and an ex-

clusive license and right to license the Class B patents, subject in each case to I. G.'s exclusive rights outside the hydrocarbon field and to its royalty rights within that field (Concs. 4–6, I 87–8). It further held that all of the Custodian's rights in the Class A patents and his royalty rights in the Class B patents were cut off by the consent decree (I 60–1). It rejected the Government's contention that the rights acquired by the petitioners in respect of both classes of patents were merely contractual and could not be enforced or recognized in this suit because of the fundamental illegality under the antitrust laws of the agreements on which they were based (I 66).

The Circuit Court of Appeals modified this disposition of the S. I. G. patents. It held that the consent decree should not be construed as cutting off any of the rights which the Custodian had vested from I. G. (IV 1714–16). Since both parties had rights in each class of patents, it did not attempt to determine the location of formal title to those patents but rather directed the return to the petitioners of the substantive rights which the court concluded they had acquired under the agreements with I. G. (IV 1713–14). Accordingly, it directed the return to the petitioners of a right to license and control the licensing of all the S. I. G. patents within the hydrocarbon field and to retain the royalties from such licens-

ing, other than those which they were by agreement obligated to pay to the Custodian (IV 1718).[7]

The Government had also asserted the comprehensive defenses that the petitioners should be denied all recovery on the grounds that they were guilty of unclean hands by reason of the many instances of sham and deception and the violations of both the antitrust laws and the Trading with the Enemy Act which the record discloses, and that they were "foreign nationals" within the meaning of Section 5 (b) of the Trading with the Enemy Act by reason of action on behalf of and for the benefit of I. G., a national of an enemy country. These defenses were rejected by both courts below (IV 1704–8).

ARGUMENT

As the court below said, "The most crucial issues in the case * * * turned upon findings as to the intentions and acts of the parties" (IV 1701). Nevertheless, the petitioners have presented no question and specified no error as to the underlying holdings of both courts below that substantially all the transactions in which the petitioners and I. G. purported to engage after

[7] The court also directed the return of a bare right to license at the Custodian's direction and for his account under all the patents in suit (IV 1718). This licensing agency should not be confused with the substantive rights to license and retain royalties in which the petitioners have been awarded within the hydrocarbon and Oppanol fields.

the outbreak of World War II were "sham transactions designed to create an appearance of Jersey ownership of property interests which nevertheless continued to be regarded by the parties as I. G. owned" (IV 1701). Their petition refers only obliquely to the major factual issues in the case, issues which were resolved against them by both courts below. It is limited to a far narrower range of issues, concerning only a relatively small part of the properties and interests in suit, and which, in the setting of the litigation as a whole, are relatively unimportant. We believe that a brief analysis of the limited issues raised in the petition will sufficiently demonstrate that it presents no questions calling for review by this Court.

1. *The Jasco Shares.*—Despite the considered holdings of both courts below, based upon searching analysis of volumirous testimony and documentary evidence, that the petitioners never acquired from I. G. the five Jasco shares originally issued to it, the petitioners assert that the ownership of the Jasco shares has been conclusively determined to be in them by the antitrust consent decree of March 25, 1942. They assert as a ground for allowance of the writ that the court below, by failing to hold this, departed from the doctrine that an antitrust consent decree is no less binding than an adjudicated decree and denied adjudicative force to the decree here involved (Petition, p. 10). In their supporting brief, however, (Petition, pp. 17, 19), they admit that the court fully

recognized that a consent decree is *res judicata* to the same extent as any other decree, and it is clear from the court's opinion that it in no way questioned the general principles of law which the petitioners here assert (see IV 1714, 1715). The petitioners appear unduly apprehensive in suggesting that the decision "will throw in doubt the finality of existing consent decrees and discourage future negotiation of such decrees" (Petition, p. 10). The issue is merely whether the court below misconceived the purpose and effect of certain provisions of this particular consent decree.

We believe that the decision below is clearly correct. The provision of the decree which is asserted as a definitive adjudication of the ownership of the Jasco shares is found under the heading "Definitions." It reads:

> "Jasco" means Jasco Incorporated, a corporation organized and existing under the laws of the State of Louisiana and having its principal office and place of business at Baton Rouge, Louisiana, all the capital stock of which is now owned by Development, which controls the corporation.

We think the court below properly regarded this sentence as "obviously intended only as part of an identifying label" (IV 1710). Appearing in a preliminary portion of a lengthy decree, it does not purport to adjudicate the ownership of the shares. There was no occasion, in a proceeding

aimed at preventing further violations of the antitrust laws, to undertake a determination of the respective rights of the Custodian and the petitioners in any of the property covered by the vesting order. And indeed, as the court below pointed out (IV 1715–16), the adjudicative portions of the decree specifically negate any intention to make such a determination. Article VII of the decree (III 1022) provides that "nothing contained in this decree shall affect or diminish any right, title or interest of [the petitioners] * * * in or to * * * any * * * shares of corporate stock"—a clear declaration that the decree should not be construed as affecting the petitioners' ownership of shares by conferring on them the ownership of any shares of stock which they did not in fact then own. And by Article XII (III 1024) the Custodian made a parallel reservation of the rights acquired by his vesting order.

The petitioners' alternative suggestion, that the description of Jasco as wholly owned by Development was part of a "formal compromise adopted by all the parties" (Petition, p. 19) by which the Custodian abandoned all claim to these shares, is no less difficult of credence. They have suggested no reason why the Custodian should have been willing to present them, "as virtually a reward for their wrongdoing" (IV 1717), with a gift of valuable property rights belonging to an enemy. Nor can it be supposed that the Cus-

todian had deliberately but mistakenly concluded that there was no basis for asserting I. G.'s former ownership of the shares, for the Custodian's office had been created only two weeks before the decree was entered. He and his advisers had clearly had no opportunity to attempt to unravel the tangled skein of transactions with which the ownership of the Jasco shares had been beclouded (cf. IV 1717).

2. *The Jersey-Originated Jasco Patents.*—In their efforts to obtain review of the holding below dismissing on grounds of unclean hands their prayers for relief in respect of the Jersey-originated Jasco patents, the petitioners make a number of extraordinary contentions. They assert that the court's holding that they were guilty of fraudulent misrepresentation is without evidentiary support, and make the astonishing statement that the court's "assumption" that "the transfer of I. G.'s Jasco stock pursuant to the Hague Memorandum was fictitious" is "unsupported by a grain of evidence" (Petition, p. 24). This assertion, we think, exposes the character of their argument. Although they have not presented any question or specified any error as to the affirmance by the court below of the district court's basic findings that the transactions occurring after September 1, 1939, including the purported transfer of the Jasco shares, were sham and designed to prevent seizure of property owned by I. G., they ask this Court, in effect, to disregard

those findings completely.[8] If those findings are accepted, as they must be, it is clear that the court below was almost compelled to reach the further conclusion that the repetition to the consent-decree court of the petitioners' fraudulent misrepresentations as to the ownership of the Jasco shares was a part of the same conspiracy to defraud the United States of its rights to seize enemy property.[9]

The petitioners further assert that, in finding that they were guilty of fraudulent misrepresentation, the court below made "a wholly new finding on a matter not pleaded, litigated or determined in the trial court" (Petition, p. 10). The record flatly contradicts this statement. It discloses that while the district court made no de-

[8] Elsewhere the petitioners repeat this tactic. Thus in stating the case (Petition, pp. 3–4) they set forth the sham transactions as if they had been genuinely made for bona fide reasons; they repeatedly seek to discredit the findings of sham as based on "a series of inferences" (Petition, pp. 6, 20); and in "assuming *arguendo*" the correctness of those findings, they assert that "Jersey vigorously denies" their correctness (Petition, p. 26).

[9] In colloquies with counsel the district court suggested that the agents of the petitioners who negotiated the consent decree were personally innocent of the fraud (S. M. 1162–63, not printed). This is irrelevant. As the court below said, "It is the principals who are involved and whose wrongdoing concerns us" (IV 1723). Similarly, the court below was right in holding that that wrongdoing was not purged either by the entry of a consent decree which repeated the same misrepresentations or by the issuance of a vesting order whose effectiveness the petitioners sought by their misrepresentations to defeat.

termination on the merits because of its decision as to want of jurisdiction, the issue of the petitioners' unclean hands in respect of these patents was fully litigated, and indeed the petitioners themselves in effect so admit in their supporting brief (Petition, p. 26). The petitioners' contentions as to the Jersey-originated Jasco patents were first raised in the district court by certain provisions of the decree and supplemental findings and conclusions which they submitted for adoption by the court after its opinion, findings and conclusions on the main case had been filed. (See I 163; S. M. 1106–7, not printed).[10] Both parties filed memoranda and answering memoranda on the issues presented (I 164) and the matter was argued extensively before the district court on the merits as well as the jurisdiction (S. M. 1106–1123, 1160–1174, not printed). The Government, in its brief and argument in the district court, asserted repeatedly and unequivocally that the relief sought should be denied for want of equity because the petitioners' "predicament is the result of the sham transactions that they themselves entered into and which they concealed in connection with the consent decree" (S. M. 1160–61, not printed).

[10] The petitioners' repeated reference to the fact that the issue of unclean hands was first raised "after the decision" (Petition, pp. 26, 28) is highly misleading. The whole issue as to the Jersey-originated Jasco patents was first raised after the decision on the main case, and the defense of unclean hands was urged by the Government as soon as that issue was raised.

The issue of unclean hands was thus fully litigated in the district court. The petitioners' further suggestion that they have been denied an opportunity to present evidence on that issue (Petition, pp. 9, 27–31) is equally without substance. The suggestion comes for the first time in this Court. Although the issue of fraudulent misrepresentation was raised by the Government as soon as it was informed of the petitioners' request for relief in respect of these patents, and was fully argued when that request came on for hearing, the petitioners at no time made any suggestion to the district court that they would like to reopen the case for introduction of further evidence on the issue of misrepresentation. Nor did they make any suggestion to the Circuit Court of Appeals, in their reply to the Government's brief, on oral argument, or in the petition for rehearing which they filed with that court (IV 1734), that the cause should be remanded for the introduction of further evidence bearing on the issue of misrepresentation in the consent decree proceedings.

The petitioners further contend that even though fraudulent misrepresentations were made, they should not bar the relief requested (Petition, pp. 24–26). They assert that the court's holding on this issue raises the general question whether relief may be denied in a suit under Section 9 (a) of the Trading with the Enemy Act on equitable grounds (Petition, pp. 9, 11). We be-

lieve that this question does arise in connection with aspects of the case not referred to by the petitioners. (See our Conditional Cross-Petition, pp. 7–11.) And, indeed, the court below has decided that, in general, equitable disqualifications of the plaintiffs are not a ground for the denial of recovery (IV 1707–8). In view of that decision, the court's disposition of the Jersey-originated Jasco patents is not an adjudication of the broad equitable issue which the petitioners assert is involved. On the contrary, it is necessarily confined in its effect to the peculiar circumstances relating to these patents—circumstances arising out of the interrelationship between the particular provisions of one consent decree and the facts as found by the courts below, and resulting from the calculated risk which the petitioners themselves assumed in adhering before the consent decree court to their "scheme to deceive their government." As the court below pointed out, "This is not a case of affirmative penalties visited upon them for their acts; rather it is leaving them in the situation which they themselves created" (IV 1723). So far as we are aware, the circumstances are unique and have no parallel in any case which is now pending or can be anticipated. Hence, the holding on this issue presents no question of general importance which warrants further review by this Court.[11]

[11] The petitioners also suggest (Petition, pp. 6, 8, 23) that the decision below conflicts with the provision of Article VI

3. *The S. I. G. patents.*—As to the S. I. G. patents, the petitioners make two contentions. The first relates to the court's decision that the Custodian is entitled to a share of the royalties collected by the petitioners from the licensing of these patents within the hydrocarbon field. There is no dispute that I. G. was entitled to these royalties and that I. G.'s right to them was vested by the Custodian, but the petitioners' contention is that in signing the antitrust consent decree the Custodian surrendered the royalty rights. Again the issue is solely one of the construction and effect of the particular consent decree involved, and has no importance beyond the facts of this case. The decree contains no provision explicitly cutting off the Custodian's royalty rights; indeed the provision which is most nearly explicit on the subject is one which enjoins accounting to I. G. (Art. V (3), III 1020) and thus inferentially leaves unimpaired the duty to account to the Custodian. Hence, the court's decision necessarily turned upon an examination of the intent and purposes of the decree taken as a whole. We think that upon such an examination

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of the consent decree that nothing contained therein shall affect any right, title or interest of "the defendants" in any patents. It is clear that this provision does not relate to the transfers among the antitrust defendants (of whom Jasco was one) required by the decree, for Article IV (3) (III 1012) explicitly requires the antitrust defendants to "transfer to Jasco *all* their right to, title to, *power and interest in*" the patents in question. [Italics added.]

the court was clearly warranted in concluding that "it is not a permissible inference * * * that the Government intended to donate to [the petitioners] a very valuable group of licensing and royalty rights as virtually a reward for their wrongdoing" (IV 1717).[12]

The second question which the petitioners raise relates to the failure of the court below in terms to direct the return to S. I. G. of either formal legal title to or an "exclusive license" under the S. I. G. patents. We believe that the decision of the court below awards S. I. G. the fullest measure of rights which it could have acquired under the Four Party Agreement. Although I. G. purported in terms in that Agreement to "assign" to S. I. G. the Class A patents and to grant an "exclusive license" under the Class B patents, the rights actually acquired by S. I. G. were far less extensive. As we have pointed out (p. 5[illegible], *supra*), S. I. G. was disabled from making, using or selling the inventions; its sole

[12] The petitioners assert that this holding results in gross unfairness to them in that I. G.'s continuing obligations under the Four Party Agreement are terminated while their royalty obligations remain. Examination of the Four Party Agreement (P–15, III 834) and the consent decree (P–98, III 1000) will show that there were many continuing obligations of both parties which were cut off by the decree. On the other hand, the royalty obligations which have been preserved may properly be regarded, as the petitioners themselves appear to regard them (Petition, p. 3), as part of the consideration for the patent rights which they acquired in 1929 and which they have been allowed to keep by the decision below.

powers were to license the patents in accordance with certain prescribed policies and to transmit to I. G. and Jersey, respectively, the royalties from such licensing. This Court has repeatedly held that the essence of the patent grant is the right to make, use and vend the patented invention, and that ownership of a patent is not transferred unless those rights are transferred. *Waterman* v. *Mackenzie,* 138 U. S. 252, 255, and cases cited. See also *United States* v. *General Electric Company,* 272 U. S. 476, 489–90. It is equally well settled that the terms used by the parties in describing a transfer of patent rights do not control its legal effect, but that that effect must be determined by looking at the transaction as a whole. *Waterman* v. *Mackenzie, supra*; *Dougherty Research Company* v. *Vickers Petroleum Company,* 80 F. 2d 809 (C. C. A. 10), certiorari denied, 299 U. S. 545; *Krentler-Arnold Hinge Last Company* v. *Leman,* 13 F. 2d 796, 802–3 (C. C. A. 1). Applying these principles, the Circuit Court of Appeals for the Ninth Circuit has held that a purported patent "assignment" almost identical with that made by the Four Party Agreement conveyed in fact only a "license to license." *Six Wheel Corp.* v. *Sterling Motor Truck Company,* 50 F. 2d 568. So far as we are aware, this is the only other decision of any court involving facts which are at all comparable to those here presented.[13]

[13] The petitioners' assertions of conflict (Petition, pp. 34–5) are with cases involving situations which are only very re-

We believe that the foregoing considerations fully support the result reached by the court below in denying the return to S. I. G. of title to or an "exclusive license" under the S. I. G. patents,[14] and that that result presents no conflict of decisions, and does not warrant further review. The majority of the court below did not, it is true, rest its decision on the grounds just stated. As we read its opinion (IV 1713–14), it held rather that, both parties being entitled to certain substantive rights in the patents involved, it was not necessary to attempt to determine the location of formal title as between them, but that it was sufficient to direct the return to S. I. G. of the substantive rights which it had acquired in the Four Party Agreement. We believe that the court was wholly warranted in doing so. Indeed the issue presented by the petitioners would appear to be of minimal practical significance. They do not deny that they have received all the substantive rights conferred on them by the Four Party Agreement—namely, the exclusive right to control the licensing of the S. I. G. patents within the hydrocarbon field (subject now to the requirements of

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motely, if at all, related to that here presented. None involved an express denial to the transferee of the right to make, use and vend the patented inventions, and none involved the cumulative force of a multiplicity of substantial restrictions on the transferee's rights comparable to those imposed by the Four Party Agreement.

[14] In our Conditional Cross Petition we shall contend that the court below erred in so far as it awarded the petitioners any rights in the S. I. G. patents.

the consent decree) and the right to retain the major part of the royalties from such licensing. The issue they raise relates only to fears which they entertain as to their formal capacity to bring suit for infringement of those rights. In view of the decisions of this Court as to the procedural ability of one holding exclusive rights in patents to redress any violation of those rights, see *Independent Wireless Company* v. *Radio Corporation,* 269 U. S. 459, their fears may well prove groundless. If they do not, that will be merely a consequence of the limited character of the rights which the petitioners agreed to acquire from I. G. in 1929.

CONCLUSION

The questions presented by the petitioners were correctly decided below and do not call for review by this court. No conflict with the decision of any other court is involved. The petition should be denied.

Respectfully submitted,

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In the Supreme Court of the United States

OCTOBER TERM, 1947

No. —

TOM C. CLARK, ATTORNEY GENERAL, AS SUCCESSOR TO THE ALIEN PROPERTY CUSTODIAN, PETITIONER

v.

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, AND JASCO, INCORPORATED

CONDITIONAL CROSS-PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

The Solicitor General, on behalf of Tom C. Clark, Attorney General, as Successor to the Alien Property Custodian, has filed a brief in opposition to the petition for a writ of certiorari filed by the plaintiffs in this action (No. 576, this Term). For the reasons there stated, the Government believes that petition should be denied. If this Court should decide otherwise, however, it is suggested that there are issues in this case other than those enumerated in the petition in No. 576 which should also be reviewed by this Court. Accordingly, the Solicitor General prays that if the petition in No. 576 should be granted, such writ of

certiorari as may issue be comprehensive enough to permit review of the issues presented in this cross-petition.

OPINIONS BELOW, JURISDICTION, STATUTE INVOLVED, AND STATEMENT

The time within which to file this petition was, by order of Mr. Justice Jackson on February 6, 1948, extended to and including March 8, 1948. Other references to the jurisdiction of this Court, the opinions below, and the statute involved, as well as a general statement of the case, appear in the Brief in Opposition filed in No. 576, this Term.

QUESTIONS PRESENTED

1. Whether, in a suit in equity for the return of vested property under Section 9 (a) of the Trading With the Enemy Act, plaintiffs who do not come into court with clean hands are disqualified from recovering any of the property in suit.

2. Whether the plaintiffs' cloaking of enemy assets and other actions for the benefit and on behalf of an enemy made the plaintiffs themselves "enemies" within the meaning of that term as it is used in Section 9 (a) of the Trading With the Enemy Act and therefore disqualified them from recovering any of the property in suit, the remedy of Section 9 (a) being available only if the claimant is a "person not an enemy."

3. Whether the reservations and restrictions in certain agreements between the plaintiffs and

I. G. Farbenindustrie claimed by the plaintiffs to have transferred ownership of patents from I. G. to themselves resulted as a matter of law in the retention of ownership by I. G. and the acquisition by the plaintiffs of mere executory contractual rights.

4. Whether such executory contractual rights were cut off by reason of the illegality under the antitrust laws of the agreements upon which those rights are founded.

5. Whether the conclusion of the district court, not disturbed by the Circuit Court of Appeals, that the purported sale by I. G. to one of the plaintiffs of 200 shares of S. I. G. stock was a genuine transaction, is not clearly erroneous in view of (a) the district court's findings that other similar contemporaneous transactions were sham, (b) the close relationship between this purported sale and the sham transactions, and (c) other evidence independently showing that the purported sale was not genuine.

SPECIFICATION OF ERRORS

The court below erred:

(1) In failing to hold that the plaintiffs, by reason of action on behalf of enemies, were themselves enemies disqualified from recovering any of the properties in suit.

(2) In failing to hold that the plaintiffs were so guilty of unclean hands as to be disqualified from any recovery.

(3) In allowing the plaintiffs to recover, under the S. I. G. and Oppanol patents, licenses, licensing rights and royalty rights which were founded upon illegal agreements.

(4) In holding that the "purchase" of the S. I. G. stock in September 1939 was a genuine transaction.

(5) In allowing any recovery in this action.

DISCUSSION

The Alien Property Custodian, determining that several hundred specified United States patents in the oil and chemical fields and certain shares of stock in American corporations belonged to I. G. Farbenindustrie of Germany, issued orders vesting the stated property in the United States. The plaintiffs, four corporations referred to as the "Jersey" group, brought suit under Section 9 (a) of the Trading with the Enemy Act, as amended, to recover all of the vested property. Conceding that the property originally belonged to I. G., the plaintiffs contended that they had acquired it in good faith through a series of agreements and transactions which began in 1929 and was not completed until the entry in 1942 of a consent decree under the antitrust laws against the plaintiffs and others. In the words of the court below, the story of these agreements and transactions as presented in the record in this case "presents a fascinating picture of the interrelationships of two vast

private commercial empires, among the largest in the world, acting in hearty co-operation in division of their respective fields of operation and making and executing plans for continuance of that co-operation under the stress of developing friction and approaching war between the countries of which they were, after all, respectively nationals" (IV 1696).

It is impossible to set forth that story or even to communicate its flavor within the proper confines of a cross-petition for certiorari. For present purposes, it is enough to state summarily that the findings concurred in by both courts below establish (1) that the basic arrangements which were, in effect, the constitution by which their subsequent dealings were guided, were "interrelated and form part of one deal" (I 79); and (2) that the dealings between I. G. and the plaintiffs in respect of the property in suit were pervaded with illegality under the antitrust laws (III 1010–11), with "sham * * * designed to create an appearance of Jersey ownership of property interests which nevertheless continued to be regarded by the parties as I. G. owned" (IV 1701), with "concealment and furtiveness" (IV 1704), and with many other "instances of practical deception" (IV 1704). See also Findings of Fact and Conclusions of Law of the District Court, e. g., I 115–146. It is not surprising, in view of these unchallenged findings, that the district court should have decided against the plain-

tiffs in respect of the major part of the property in suit, and that the Circuit Court of Appeals should have affirmed the major outlines of the district court's judgment, modifying it only by reducing further the relief awarded the plaintiffs. Nor is it surprising that in consequence of such a complex of illegality, sham, concealment, furtiveness, and deception, the plaintiffs should have gotten themselves into difficulties in respect to their own property from which they cannot in good conscience expect to be extricated by a court of equity. See e. g., the Circuit Court's rejection of the plaintiffs' claim to the Jersey-originated Jasco patents (IV 1721–23). The tone of injured innocence sounding in the plaintiffs' petition is maintainable, we believe, only because the issues are not presented in their context. In this brief statement we have emphasized the aspects of the case on which the plaintiffs have been silent, because in our view they bear upon nearly every issue the courts below were called upon to decide and appear—quite properly—to have had a dominant influence upon the courts' determinations.

For the reasons stated in our Brief in Opposition, we believe that the issues raised by the plaintiffs' petition were correctly decided below, and that, moreover, they are unique issues, arising from the special relationship between this litigation and an antitrust consent decree or from the special terms of an agreement between I. G. and the plaintiffs. Since there are valuable patents

involved in this litigation which the Government is prevented from subjecting to its general patent policy,[1] the Government has a strong interest in the earliest possible termination of the litigation. For these reasons, and particularly in view of the award of the major part of the patents in suit to the Government by the decision below, the Government does not seek further review of this case. If, and only if, this Court should grant the plaintiffs' petition, does the Solicitor General request that this conditional cross-petition be granted, because in our judgment it would be inappropriate to review this case without considering the issues set forth herein.

1. *Enemy status and general equitable disqualification.*—This Court has recently indicated that the definition of "enemy" in Section 2 of the Act is to be regarded as "merely illustrative, not exclusionary." *Clark* v. *Uebersee Finanz-Korporation, A. G.*, 332 U. S. 480, 488–489. There can be no doubt on the findings below that the plaintiffs acted for the benefit and on behalf of an enemy in respect of the property in suit by attempting for the duration of the war to conceal I. G.'s continuing ownership of much of that property.

[1] This includes royalty-free licensing to all applicants of former enemy-owned patents owned outright by the Government as a result of vesting by the Alien Property Custodian. See Office of Alien Property Custodian, *Patents at Work* (1943) pp. 14–15; Annual Report, Office of Alien Property Custodian, Fiscal Year Ending June 1946, p. 97.

There can be no doubt also that in pursuance of their "scheme to deceive their government" (IV 1722), the plaintiffs engaged on I. G.'s behalf in sham transactions "of a type likely to mislead public authorities" (Fdg. 60 (a), I 125; IV 1702) and violated their obligations under statutes of the United States (IV 1722). If, as the *Uebersee* opinion suggests, "enemy" status in connection with suits under the Trading with the Enemy Act is governed by behavior seriously and directly inimical to the wartime interests of the United States rather than by the formalities of a technical definition, a grave question arises as to whether the plaintiffs are "enemies" in this sense. This Court has declared that ordinarily the "category of enemies" does not exclude "those who act with, or aid or abet and give comfort to enemies * * * though they may not be residents of enemy's territory." *Miller* v. *United States,* 11 Wall. 268, 312. In view of the findings already referred to of action by the plaintiffs in I. G.'s behalf, application of such a standard here would be fatal to the plaintiffs' standing to maintain this suit, since Section 9 (a) in terms grants the remedy of return only to a "person not an enemy."

Closely related is the question whether the illegality, sham, concealment, and disregard of national interest which characterize the transactions upon which the plaintiffs depend to establish their ownership of the property in suit destroy

the plaintiffs' standing to maintain a suit in equity in respect of that property. We submit that the classic requirement that a suitor must come to a court of equity with clean hands is, without more, a bar to the plaintiffs in this suit, which is, in the words of Section 9 (a) of the Trading with the Enemy Act, a suit "in equity."

In connection with that part of the property which the courts below found never to have become property of the plaintiffs, the disqualifications arising from enemy status and unclean hands would afford an additional ground for the result reached below. Our contention goes further, however. Even in respect of that portion of the property which the court below awarded to the plaintiffs on the ground that they had acquired ownership from I. G. in genuine transactions, we believe the plaintiffs should be held disqualified from the remedy sought. That is not to suggest that for all purposes and in respect of all of their property the plaintiffs are both "enemies" and equitably ineligible for relief. The disqualifications, we urge, would be applicable only to the property in suit, that is, only to property which was the subject matter of transactions which the district court found to be "inter-related and * * * part of one deal" (I 79). In the words of Lord Stowell:

> * * * if a neutral will weave a web of fraud of this sort, this Court will not take the trouble of picking out the threads for

> him, in order to distinguish the sound from the unsound; if he is detected in fraud he will be involved *in toto*.—A neutral surely cannot be permitted to say, "I have endeavoured to protect the whole, but this part is *really* my property, take the rest and let me go with my own:" If he will engage in fraudulent concerns with other persons, they must all stand or fall together. (*The Eenrom,* 2 Ch. Rob. 1, 9, 165 Eng. Rep. 218, 221 (High Court of Admiralty, 1799)). [Italics in original.]

We think this principle, long established in the prize law, to which the law of alien property is historically and constitutionally related (see *Stohr* v. *Wallace,* 269 Fed. 827, 840 (S. D. N. Y.)), should govern here. Cf. *The St. Nicholas,* 1 Wheat. 417; *The Fortuna,* 3 Wheat. 236; *The Peterhoff,* 5 Wall. 28, 59; *The Amiable Isabella,* 6 Wheat. 1. See also *United States* v. *One Hundred and Twenty-nine Packages,* Fed. Cas. No. 15,941 (E. D. Mo.). In the present case, since the intermingling of the property found to belong to the plaintiffs with I. G.'s property aided the concealment of the enemies' interest, all the property in suit has the taint of having been used for the benefit of an enemy and in the unconscionable transactions entered into by the plaintiffs. Hence, in suggesting that the plaintiffs' disqualifications should be comprehensive, we believe we are merely asking for the reasonable application of a salutory rule of wartime captures.

These problems—the existence and extent of disqualifications in a suit for return under Section 9 (a) where the plaintiffs have acted against the interest of the United States—are present in every cloaking case under the Trading with the Enemy Act. They are problems appropriate for consideration by this Court, therefore, if the plaintiffs' petition should be granted.

2. *The nature of S. I. G.'s rights under the Four Party Agreement.*[2]—The Court below has allowed S. I. G. to recover licensing and royalty rights in the S. I. G. patents. For reasons discussed in our Brief in Opposition (Brief in Opposition in No. 576, pp. 22–25), we think the court was clearly correct in denying the return of ownership of those patents. As we there point out, any decision that S. I. G. had acquired the ownership of the S. I. G. patents would be in clear conflict with the holding of the Circuit Court of Appeals for the Ninth Circuit in *Six Wheel Corporation* v. *Sterling Motor Truck Company,* 50 F. 2d 568, as well as with principles enunciated in *Waterman* v. *Mackenzie,* 138 U. S. 252, 255; *United States* v. *General Electric Co.,* 272 U. S. 476, 489–90, and other cases.

But we think the court below erred in failing to apply the necessary consequence of the limited character of the rights acquired by S. I. G. This

[2] The principles herein discussed are equally applicable to the "licensing and royalty rights in the Oppanol patents (IV 1721) which the court below has allowed Jasco to recover, and we assert error in that holding as well.

Court has repeatedly declared that licenses, rights to license, and rights to receive royalties under patents are merely contractual and not proprietary interests. E.g. *Waterman* v. *Mackenzie, supra; E. W. Bliss Co.* v. *United States,* 253 U. S. 187, 192; *De Forest Co.* v. *United States,* 273 U. S. 236, 242; *General Talking Pictures Co.* v. *Western Electric Co.,* 304 U. S. 175, 181. Cf. *Oliver* v. *Rumford Chemical Works,* 109 U. S. 75, 82–3. The contract pursuant to which S. I. G. acquired such rights in the S. I. G. patents—the Four Party Agreement—was declared to be illegal by the antitrust consent decree (III 1010–11). Such a decretal provision being *res judicata,* the illegality of that Agreement is a datum of this litigation between parties to that decree. Application of the ordinary rules as to the consequences of illegality would leave the plaintiffs without standing to enforce the executory contractual rights necessarily founded upon the illegal agreement. See e. g. *Bement* v. *National Harrow Co.,* 186 U. S. 70, 88; *Continental Wall Paper Co.* v. *Voight & Sons Co.,* 212 U. S. 227, 265.[3] In this

[3] This principle has repeatedly been applied to deny enforcement of provisions of patent license agreements because of the illegality of the licensing scheme. *Sola Electric Co.* v. *Jefferson Co.,* 317 U. S. 173, 177; *Katzinger Co.* v. *Chicago Metallic Mfg. Co.,* 329 U. S. 394; *MacGregor* v. *Westinghouse Co.,* 329 U. S. 402; *American Equipment Co.* v. *Tuthill,* 69 F. (2d) 406 (C. C. A. 7); *Blount Mfg. Co.* v. *Yale & Towne Mfg. Co.,* 166 Fed. 555 (C. C. D. Mass.). See *Bement* v. *National Harrow Co.,* 186 U. S. 70, 88; *Straight Side Basket Corp.* v. *Webster Basket Co.,* 82 F. (2d) 245, 246 (C. C. A. 2).

view, the Custodian as successor to I. G. in the ownership of the S. I. G. patents would be free of any contractual obligations to S. I. G. and would be entitled to keep the patents without qualifications.

To the extent that the decision below regards the interest acquired by S. I. G. in the S. I. G. patents as a proprietary interest capable of surviving the illegality of the contract by which it was acquired, it has decided an issue of general importance in the patent law, and its decision is in conflict with the well-established principles announced in the cases cited above.

If we are right in urging that the interests acquired by S. I. G. in the S. I. G. patents were merely executory and contractual, the general cautionary provisions in the consent decree saving the proprietary interests of the parties (Arts. VII, XII, III 1022, 1024)—provisions apparently designed to guard against the possibility that the antitrust consent decree would be misinterpreted as a disposition of disputes over the respective property rights of the present plaintiffs and the Alien Property Custodian—are irrelevant. But even if interpretation of these provisions is involved, it is only in connection with the determination of an issue of general significance in the patent law.

3. *The S. I. G. Stock Transaction.*—In giving effect to the purported "purchase" by Standard in September 1939 of I. G.'s 200 shares of stock

in S. I. G., both courts below, we believe, were in error. We fully recognize the heavy burden which rests upon one who asks this Court to overturn the decisions of two courts below on a question of fact, and we recognize that in this case the painstaking care generally apparent in the treatment of factual questions by both courts makes the burden in the exceptional instance heavier. Nor do we suggest that the question which we raise as to the S. I. G. shares would, as an independent matter, warrant further review. But we feel that if this Court should determine to review other aspects of this case, it would be appropriate for it to consider also whether in their disposition of these shares the courts below did not render a decision which was clearly erroneous.

The courts below rested their determinations (Fdg. 50, Conc. 21, I 113–15; IV 1708–9) as to the genuineness of this purported purchase on two factors: (1) the price paid by Standard for the shares, and (2) the finding of the district court that "there is nothing to show that the parties formally or informally tied the S. I. G. stock transaction to any other transaction" (Fdg. 50 (b), I 114). We do not dispute that the amount paid for the shares was their original cost to I. G. and was reasonably related to their artificially limited earning power (Fdg. 50, I 114). But this circumstance, while of some significance, certainly cannot control the decision whether there was an unwritten agreement to return the shares

at the end of the war. If it could, successful cloaking would be a ridiculously easy matter for parties having adequate financial resources. The crucial finding is therefore the one that this transaction was unrelated to any other.

We think this finding cannot be supported. The record contains no affirmative evidence to support it. And apart from the inherent improbability that of five transactions initiated immediately upon the outbreak of the war in Europe, one should be genuine while all the others were sham, the record contains repeated and unequivocal indications that this particular transaction was intimately related to and adopted with the same purpose and intention as others which have been held to be sham. The parallel with the parties' sham dealings with respect to the Jasco shares is particularly striking. On August 30, 1939, two days before the Germans marched into Poland, Mr. Teagle, a director and the former president of Standard, suggested that "in view of the present unsettled conditions" it might be "desirable to try and acquire" I. G.'s stock interests in S. I. G. and Jasco (P–85, III 993). The next day Jersey representatives "had a long conference" (D–392, IV 1381) with Dr. Walter Duisberg, "I. G.'s representative" (P–85, *supra*) and "a son of one of the founders of I. G. F. [who] naturally has the confidence of the I. G. F. people" (D–392, IV 1383). Two transactions were there discussed. One was that "Dr. Duisberg

purchase" the Jasco shares for $4,000, executing an option to Jasco to insure that the shares "will not fall into unfriendly hands in the event of his death" (IV 1383). The other was that Jersey purchase the S. I. G. shares for $20,000 (IV 1381). The avowed purpose of both transactions was the same. Duisberg's "purchase" of the Jasco shares was intended to "prevent their being seized by an Alien Property Custodian" (IV 1383). Of the proposed "purchase" by Jersey of the S. I. G. shares a Jersey officer similarly reported (IV 1382):

> Of course, what we have in mind is *protecting this minority interest in the event of war between ourselves and Germany* as it would certainly be very undesirable to have this 20% interest in Standard I. G. pass to an Alien Property Custodian who might sell it to an unfriendly interest. [Italics added.]

On the outbreak of the European war Mr. Howard, president of Development and a director of S. I. G. and Jasco, was in Europe (Fdg. 52, I 115). He succeeded in arranging a conference of several days' duration at the Hague, Netherlands, with representatives of I. G., beginning September 24, 1939 (Fdg. 56, I 117), to arrange a "modus vivendi which would operate through the term of the war, whether or not the U. S. came in" (P–66, III 938). At that conference I. G.'s representatives informed Mr. Howard of the "sales" of the S. I. G. shares to Standard and

the Jasco shares to Duisberg (D–578, IV 1559, 1560). Apparently it was decided that the S. I. G. transaction was satisfactory in form but that the Jasco one was not. The parties decided to recast the Jasco transaction as a "sale" to Development (P–67, III 945; D–578, IV 1560–64).[4] I. G.'s representatives pointed out that such a sale "appeared to be to our advantage" and that "Mr. Duisberg would certainly agree to such a further sale" (D–578, IV 1560).

On the record there can be no possible doubt that Duisberg was, in the words of the court below, "just another dummy used to hide the real ownership of I. G. property" (IV 1710). Indeed it is inconceivable that Jersey could have regarded the "sale" of the Jasco shares to him as a genuine transaction in view of the absence of any apparent reason why Duisberg, "a private citizen working in the capacity of a chemist and patent attorney" (D–392, IV 1383), should, on Jersey's suggestion, decide for his own purposes to buy a one-half interest in Jasco, and in view also of Duisberg's readiness first to give an option to Jasco and later to consent at I. G.'s request to a resale to Development. And since the Jasco transaction which was decided upon by the Jersey representatives and Duisberg at the conference of August 31, 1939, was so obviously a sham, we think it inconceivable that the "purchase" of the

[4] Still later the transaction was again recast as a sale to trustees for Development (Fdgs. 67–70, I 137–39).

S. I. G. shares, arranged at the same conference and for the same avowed purpose of "protecting" that stock interest in the event of war and preventing its seizure by an Alien Property Custodian, could have been intended as a genuine transaction.

In the foregoing we have not attempted to show the close relationship in time and purpose which the record reveals between the S. I. G. stock "purchase" and the other transactions which the courts have held to be sham—the USAC stock "purchase" and the purported assignments of S. I. G. and Jasco patents—all of which were initiated within a period of a few weeks. We think that even the very summary discussion of the evidence which has been possible within the limited scope of this conditional cross-petition for writ of certiorari is sufficient to disclose that the crucial finding that the S. I. G. transaction was unrelated to any other is clearly erroneous and that the courts below committed serious error in giving effect to that transaction. We therefore respectfully suggest that if this Court should determine to review any aspects of this case, it would be appropriate for it to take that opportunity to correct the error committed by the courts below on this point.

CONCLUSION

For the foregoing reasons, we respectfully submit that, in the event this Court should grant the

petition for writ of certiorari in No. 576, this conditional cross-petition for writ of certiorari should also be granted.

PHILIP B. PERLMAN,
Solicitor General.

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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1947

No. 641

TOM C. CLARK, ATTORNEY GENERAL, AS SUCCESSOR TO THE ALIEN PROPERTY CUSTODIAN,

Petitioner,

against

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, AND JASCO, INCORPORATED,

Respondents

ON CROSS-PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION

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BRIEF OF RESPONDENTS IN OPPOSITION

The "conditional cross-petition" of the Attorney General, as successor to the Alien Property Custodian, seeks certiorari to review five questions in the event that the petition of the respondents, filed February 6, 1948 (No. 576, this Term), should be granted. With the exception of No. 5, the Questions proposed by the cross-petition are similar to and in some respects identical with the Questions proposed by us in No. 576. If, therefore, review be granted on our petition, we do not oppose the cross-petition except

for question No. 5, which seeks review of a finding purely of fact approved by both courts below.

Opinions Below, Jurisdiction, Statute Involved and Statement

These matters appear in our original petition and brief filed in No. 576, this Term.

ARGUMENT

Question No. 5 sought to be presented by the cross-petitioner is not a question of law or a question of general importance and is not suitable for review by certiorari. That Question deals with the conclusion of the courts below that the sale by I. G. to the respondent Standard Oil Company of 200 shares of S. I. G. stock was a genuine transaction. The statement of the cross-petitioner that the trial court's finding on this point was "not disturbed by the Circuit Court of Appeals" is an understatement. The Circuit Court considered the record upon the appeal of the Government in this regard. After reciting the facts it said (IV 1708-9):

> "The price paid for the stock by Standard therefore does not seem unfair. Since the court found the transaction to be one designed in good faith to pass title to Standard, the stock belonged to Standard when vested and Standard is entitled to recover it."

We do not believe a finding of this character merits review by certiorari under any interpretation of Rule 38 of this Court.

With respect to the other questions sought to be presented by the cross-petitioner, our failure to oppose review is not, of course, an acquiescence in the arguments which the cross-petitioner seeks to make upon the merits. For example, the citation by the Attorney General as cross-

petitioner of old prize law (pet. p. 10) in support of his desire to retain the vested property regardless of its ownership, is in effect a claim to letters of marque and reprisal, to privateer against all and sundry in total disregard of the original and proper purpose of the Trading with the Enemy Act. The distinction is noted in the very citation relied upon by the cross-petitioner, viz. *Stoehr* v. *Wallace,* 269 Fed. 827, 840, affd. 255 U. S. 239.

CONCLUSION

The conditional cross-petition should be denied with respect to the findings below on the S. I. G. stock, and, if otherwise granted, should be granted only together with the petition in No. 576.

Respectfully submitted,

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New York, N. Y.
March 23, 1948.